

FOOD OUTREACH, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
 Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	6
Statements of Cash Flows	8
Notes to Financial Statements.....	9



Independent Auditor's Report

To the Board of Directors of
Food Outreach, Inc.
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Food Outreach, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Food Outreach, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Brown Smith Wallace, LLP

St. Louis, Missouri
May 30, 2019

FOOD OUTREACH, INC.

Statements of Financial Position

December 31, 2018 and 2017

(See Independent Auditor's Report)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 356,825	\$ 415,227
Grants receivable	114,849	120,177
Unconditional promises to give	14,785	30,561
Prepaid expenses and deposits	27,652	29,778
Inventories	38,674	34,587
Total Current Assets	552,785	630,330
Investments, at fair value	2,248,904	2,033,118
Property and Equipment, net	520,664	559,622
TOTAL ASSETS	\$ 3,322,353	\$ 3,223,070
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 25,045	\$ 25,151
Accrued compensated absences	7,166	9,823
Accrued pension	27,339	20,297
Total Current Liabilities	59,550	55,271
Net Assets		
Without donor restrictions		
Undesignated - available for operations	1,407,761	1,308,177
Investment in property and equipment	520,664	559,622
Board designated operating reserve	1,100,000	1,100,000
Board designated reserve for building and equipment	200,000	200,000
Total without donor restrictions	3,228,425	3,167,799
With donor restrictions		
Purpose restrictions	34,378	-
Total with donor restrictions	34,378	-
Total Net Assets	3,262,803	3,167,799
TOTAL LIABILITIES AND NET ASSETS	\$ 3,322,353	\$ 3,223,070

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

FOOD OUTREACH, INC.

Statement of Activities

Year ended December 31, 2018

(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Public Support			
Government grants	\$ 867,449	\$ -	\$ 867,449
Individual contributions and tributes	224,021	1,810	225,831
Religious contributions	13,325	-	13,325
Foundation contributions	352,766	-	352,766
Corporation contributions	193,750	-	193,750
Special events, net of direct costs of \$65,146	244,281	34,378	278,659
Appeals and solicitations	40,127	-	40,127
Investment losses, net of fees	(65,213)	-	(65,213)
Miscellaneous	5,283	-	5,283
Net assets released from restrictions	1,810	(1,810)	-
Total revenues and public support	1,877,599	34,378	1,911,977
Expenses			
Program services	1,529,777	-	1,529,777
Management and general	204,403	-	204,403
Fundraising	82,793	-	82,793
Total expenses	1,816,973	-	1,816,973
CHANGE IN NET ASSETS	60,626	34,378	95,004
Net assets at beginning of year	3,167,799	-	3,167,799
Net assets at end of year	\$ 3,228,425	\$ 34,378	\$ 3,262,803

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

FOOD OUTREACH, INC.

Statement of Activities

Year ended December 31, 2017

(See Independent Auditor's Report)

	<u>Without Donor</u>	<u>With Donor</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Revenues and Public Support			
Government grants	\$ 914,670	\$ -	\$ 914,670
Individual contributions and tributes	162,867	14,100	176,967
Religious contributions	5,425	-	5,425
Foundation contributions	226,830	30,800	257,630
Corporation contributions	180,906	-	180,906
Special events, net of direct costs of \$77,092	206,981	-	206,981
Appeals and solicitations	35,888	-	35,888
Investment earnings, net of fees	298,849	-	298,849
Miscellaneous	891	-	891
Net assets released from restrictions	44,900	(44,900)	-
Total revenues and public support	<u>2,078,207</u>	<u>-</u>	<u>2,078,207</u>
Expenses			
Program services	1,492,286	-	1,492,286
Management and general	204,008	-	204,008
Fundraising	82,054	-	82,054
Total expenses	<u>1,778,348</u>	<u>-</u>	<u>1,778,348</u>
CHANGE IN NET ASSETS	299,859	-	299,859
Net assets at beginning of year	<u>2,867,940</u>	<u>-</u>	<u>2,867,940</u>
Net assets at end of year	<u>\$ 3,167,799</u>	<u>\$ -</u>	<u>\$ 3,167,799</u>

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

FOOD OUTREACH, INC.

Statement of Functional Expenses

For the year ended December 31, 2018

(See Independent Auditor's Report)

	Program Services			Supporting Services		Total
	HIV/AIDS	Cancer	Total Program	Mgmt. and General	Fund Raising	
Food, nutritional supplements and consumables	\$ 610,182	\$ 133,943	\$ 744,125	\$ -	\$ -	\$ 744,125
Salaries, payroll taxes and benefits	410,740	102,685	513,425	102,685	68,457	684,567
Postage and printing	-	-	-	11,290	11,290	22,580
Professional fees	82,544	-	82,544	20,634	-	103,178
Bank and credit card fees	-	-	-	3,835	-	3,835
Event expenses	-	-	-	-	65,146	65,146
Office expense	21,387	4,695	26,082	8,693	-	34,775
Computer software expense	10,607	2,329	12,936	4,311	-	17,247
Telephone	3,011	661	3,672	1,224	-	4,896
Community outreach and other developments	-	-	-	-	3,046	3,046
Travel and meetings	-	-	-	2,921	-	2,921
Insurance	19,086	4,189	23,275	7,759	-	31,034
Equipment maintenance	8,813	1,934	10,747	3,583	-	14,330
Building maintenance	8,813	1,934	10,747	3,583	-	14,330
Dues and subscriptions	-	-	-	1,972	-	1,972
Automobile and truck	3,571	784	4,355	-	-	4,355
Occupancy expenses	36,205	7,948	44,153	14,717	-	58,870
Depreciation	42,303	9,286	51,589	17,196	-	68,785
Miscellaneous expense	2,127	-	2,127	-	-	2,127
Total expenses by function	<u>1,259,389</u>	<u>270,388</u>	<u>1,529,777</u>	<u>204,403</u>	<u>147,939</u>	<u>1,882,119</u>
Less expenses included with revenues in the statement of activities						
Cost of direct benefits to donors	-	-	-	-	(65,146)	(65,146)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,259,389</u>	<u>\$ 270,388</u>	<u>\$ 1,529,777</u>	<u>\$ 204,403</u>	<u>\$ 82,793</u>	<u>\$ 1,816,973</u>

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

FOOD OUTREACH, INC.

Statement of Functional Expenses

For the year ended December 31, 2017

(See Independent Auditor's Report)

	Program Services			Supporting Services		Total
	HIV/AIDS	Cancer	Total Program	Mgmt. and General	Fund Raising	
Food, nutritional supplements and consumables	\$ 606,000	\$ 133,025	\$ 739,025	\$ -	\$ -	\$ 739,025
Salaries, payroll taxes and benefits	401,626	100,406	502,032	100,407	66,938	669,377
Postage and printing	-	-	-	12,435	12,436	24,871
Professional fees	75,000	-	75,000	22,574	-	97,574
Bank and credit card fees	-	-	-	3,836	-	3,836
Event expenses	-	-	-	-	77,092	77,092
Office expense	23,073	5,065	28,138	9,379	-	37,517
Computer software expense	3,592	789	4,381	1,460	-	5,841
Telephone	2,944	646	3,590	1,197	-	4,787
Community outreach and other developments	-	-	-	-	2,680	2,680
Travel and meetings	-	-	-	1,971	-	1,971
Insurance	18,659	4,096	22,755	7,584	-	30,339
Equipment maintenance	7,688	1,688	9,376	3,125	-	12,501
Building maintenance	7,688	1,688	9,376	3,125	-	12,501
Dues and subscriptions	-	-	-	5,059	-	5,059
Automobile and truck	2,267	498	2,765	-	-	2,765
Occupancy expenses	37,495	8,231	45,726	15,242	-	60,968
Depreciation	40,871	8,971	49,842	16,614	-	66,456
Miscellaneous expense	280	-	280	-	-	280
Total expenses by function	1,227,183	265,103	1,492,286	204,008	159,146	1,855,440
Less expenses included with revenues in the statement of activities						
Cost of direct benefits to donors	-	-	-	-	(77,092)	(77,092)
Total expenses included in the expense section on the statement of activities	\$ 1,227,183	\$ 265,103	\$ 1,492,286	\$ 204,008	\$ 82,054	\$ 1,778,348

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

FOOD OUTREACH, INC.

Statements of Cash Flows

Years ended December 31, 2018 and 2017

(See Independent Auditor's Report)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 95,004	\$ 299,859
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,785	66,456
Unrealized/realized loss/(gain) on investments	125,186	(249,499)
(Increase) Decrease in operating assets:		
Grants receivable	5,328	31,519
Unconditional promises to give	15,776	(6,872)
Prepaid expense and deposits	2,126	(4,948)
Inventories	(4,087)	20,959
Increase (Decrease) in operating liabilities:		
Accounts payable	(106)	(12,634)
Accrued compensated absences	(2,657)	3,675
Accrued pension	7,042	1,690
Net cash provided by operating activities	312,397	150,205
Cash flows from investing activities:		
Purchases of capital assets	(29,827)	(22,938)
Proceeds from sale of investments	407,071	340,779
Purchase of investments	(748,043)	(262,360)
Net cash provided by (used in) investing activities	(370,799)	55,481
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(58,402)	205,686
Cash and cash equivalents, beginning of year	415,227	209,541
Cash and cash equivalents, end of year	\$ 356,825	\$ 415,227

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

FOOD OUTREACH, INC.

Notes to Financial Statements

December 31, 2018

(See Independent Auditor's Report)

Note A - Organization and Summary of Significant Accounting Policies

Organization

Food Outreach, Inc. (the Organization) was incorporated in the state of Missouri in 1998 as a not-for-profit. The primary activity of the Organization is to provide nutritional counseling, proper nutrition, food and nutritional supplements for men, women and children with HIV/AIDS or cancer in the St. Louis region living at or below 300% of the Federal Poverty Level. The Organization depends on a network of hundreds of volunteers to prepare and deliver scratch-prepared meals and groceries to its thousands of clients.

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting. Additionally, financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958-205-05, Presentation of Financial Statements of Not for Profit Entities under which the Organization 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 the general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated funds, from net assets without donor restrictions for specific operating purposes.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Donor-imposed restrictions are temporary in nature, such as those that will be met by events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated purpose for which the resource was restricted has been fulfilled.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparations of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization maintains cash balances at various major domestic financial institutions in amounts that, at times, may exceed federally insured limits.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Interest and dividends and both realized and unrealized gains and losses on investments are recorded in investment earnings, net of investment fees in the statements of activities.

Marketable securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values 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.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

Unconditional Promises to Give

Unconditional promises to give are carried net of allowance for uncollectible promises to give. The allowance for uncollectible promises to give is increased by provisions charged to expense and reduced by amounts charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the combined statements of financial position of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors.

Grants Receivable

Governmental grants are generally recorded on a cost reimbursement basis. Grants receivable is stated at cost due to its short-term nature. Management provides for probable uncollectible amounts through a charge against earnings and a corresponding increase in a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction in the valuation allowance and the receivable.

Inventories

Inventories consisting of food, food supplements and consumable supplies are valued at the lower of cost or market on the first-in, first-out (FIFO) method and net realizable value.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost or estimated value (at date donated) less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Major additions and betterments in excess of \$2,500 that extend the useful lives of property and equipment are capitalized. General maintenance and repairs are charged to expense as incurred.

Impairment of Long-Lived Assets

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. For the years ended December 31, 2018 and 2017, management determined that no impairment loss needs to be recognized.

Donated Assets and Materials

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. It is the Organization's policy to sell any marketable securities immediately.

Donated Services

The Organization records donated services and goods in accordance with FASB ASC 958-605-25, Revenue Recognition. As such, donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated. Additionally, the Organization tracks donated volunteer time received that neither enhances a non-financial asset or requires a specialized skill. Because these donations do not meet the criteria under FASB ASC 958-605, they are not recorded for financial statement purposes.

Functional Expenses

The Organization allocates its expenses on a functional basis between its program services and its supporting services. Expenses that can be identified with a specific program and supporting services are allocated directly according to their natural expenditures classification. Shared costs are distributed proportionally and equitably to applicable funding sources based upon management's evaluation of the expense incurred.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Tax Status

The Organization 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.

In that regard, the Organization 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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly for all periods presented.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to conform to the financial statement presentation used in 2018. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Organization has evaluated all subsequent events through May 30, 2019, the date the financial statements were available to be issued.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note B - Liquidity and Availability of Resources

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

Cash and cash equivalents	\$ 356,825
Grants receivable	114,849
Unconditional promises to give	14,785
Investments	<u>2,248,904</u>
	<u>2,735,363</u>
Less: Board designated operating reserve and reserve for building and equipment	1,300,000
Less: Donor restrictions due to purpose	<u>34,378</u>
	<u>\$ 1,400,985</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Board of Directors has designated \$1,300,000 for operating reserves and maintenance of building and equipment. These board-designated funds may be approved by the Board of Directors for general use in the event of an unanticipated liquidity need.

Note C - Grants Receivable

Grants receivable at December 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>2017</u>
Ryan White Food Program	\$ 104,776	\$ 112,307
St. Louis Area Agency on Aging	<u>10,073</u>	<u>7,870</u>
	<u>\$ 114,849</u>	<u>\$ 120,177</u>
Amounts due in:		
Less than one year	<u>\$ 114,849</u>	<u>\$ 120,177</u>

No allowance for uncollectible grants has been established as management believes that all grants receivable will be collected.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note D - Unconditional Promises to Give

Unconditional promises to give are recorded as receivables and public support revenue when the promise is made. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Unconditional promises to give are expected to be collected in the following periods:

	<u>2018</u>	<u>2017</u>
Amounts due in one year	<u>\$ 14,785</u>	<u>\$ 30,561</u>

No allowance for uncollectible promises to give have been established as management believes that all promises will be collected.

Note E - Investments and Fair Value Measurements

Investments are stated at fair value and at December 31, 2018 and 2017, consists of the following:

	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
Corporate stocks	<u>\$1,603,672</u>	<u>71.31</u>	\$1,449,362	71.29
Corporate/government bonds	<u>603,175</u>	<u>26.82</u>	533,800	26.26
Mutual funds	<u>42,057</u>	<u>1.87</u>	49,956	2.45
Total	<u>\$2,248,904</u>	<u>100.00</u>	\$2,033,118	100.00

Financial accounting standards establish 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: Valuations based on unadjusted quoted prices available for identical assets in active markets that the Organization has the ability to access.

Level 2: Valuations based on quoted prices in markets which are not active, or for which all significant inputs are observable, either directly or indirectly, or derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are significant, unobservable inputs.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note E - Investments and Fair Value Measurements (Continued)

The asset 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.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying combined statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Corporate stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net assets value (NAV) of shares held at year end.

Corporate bonds/government bond: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities or issuers with similar credit ratings.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate.

The Organization 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, 2018 and 2017.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note E - Investments and Fair Value Measurements (Continued)

Fair value of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

December 31, 2018	Fair Value	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Corporate stocks	\$ 1,603,672	\$ 1,603,672	\$ -	\$ -
Corporate/government bonds	603,175	-	603,175	-
Mutual funds	42,057	42,057	-	-
Total	\$ 2,248,904	\$ 1,645,729	\$ 603,175	\$ -

December 31, 2017	Fair Value	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Corporate stocks	\$ 1,449,362	\$ 1,449,362	\$ -	\$ -
Corporate/government bonds	533,800	-	533,800	-
Mutual funds	49,956	49,956	-	-
Total	\$ 2,033,118	\$ 1,499,318	\$ 533,800	\$ -

Note F - Property and Equipment

Property and equipment at December 31, 2018 and 2017, consists of the following:

	2018	2017
Land	\$ 231,573	\$ 231,573
Buildings and building improvements	1,047,606	1,047,606
Furniture and equipment	253,047	223,220
Software	1,585	1,585
Vehicles	71,794	71,794
	1,605,605	1,575,778
Less: Accumulated depreciation	(1,084,941)	(1,016,156)
	\$ 520,664	\$ 559,622

Depreciation expense for the years ended December 31, 2018 and 2017, was \$68,785 and \$66,456, respectively.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note G - Net Assets With Donor Restriction

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

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Special events in 2019	<u>\$ 34,378</u>	<u>\$ -</u>

Net assets with donor restrictions released as of December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Purpose restriction accomplished	<u>\$ 1,810</u>	<u>\$ 44,900</u>

Note H - Donated Services and Materials

The value of donated services and materials included in the statements of activities as public support with a corresponding amount included as in-kind expenses are as follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Public support and revenue:		
Individual contributions and tributes	\$ 121,790	\$ 96,915
Foundation contributions and grants	<u>89,500</u>	<u>94,500</u>
	<u>\$ 211,290</u>	<u>\$ 191,415</u>
Expenses:		
Professional services	\$ 75,000	\$ 75,000
Occupancy and utilities	<u>14,500</u>	<u>14,500</u>
Food, nutritional supplements, and consumables	<u>121,790</u>	<u>96,915</u>
Supplies	<u>-</u>	<u>5,000</u>
	<u>\$ 211,290</u>	<u>\$ 191,415</u>

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2018

(See Independent Auditor's Report)

Note I - Functionalized 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 office expense, computer software expense, telephone, insurance, equipment and building maintenance, occupancy, and depreciation, which are allocated on a square footage basis, as well as salaries, payroll taxes and benefits which are allocated on the basis of estimates of time and effort.

Note J - Pension Plan

The Organization has established a SEP/IRA plan for the benefit of the employees. The Organization's contribution is based on a percentage of eligible participant's salary and is determined annually by the Board of Directors. Plan expense was \$27,339 and \$20,297 for the years ended December 31, 2018 and 2017, respectively. Eligible employees may also participate in a 403(b) plan established by the Organization.

Note K - Concentrations

For the years ended December 31, 2018 and 2017, the Organization received approximately 45% and 44%, respectively, of all revenue from government funded grants: Ryan White CARE Act Title I Food Program, Older Americans Act, Title II, Part C, and Community Development Block Grant. Any significant decrease in these revenues could have an adverse effect on program services and finances.

Note L - Contingencies

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.