

FOOD OUTREACH, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016

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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 statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 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 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, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Prior Period Combined Financial Statements

The financial statements of Food Outreach, Inc. as of December 31, 2015, were audited by other auditors who issued an unmodified opinion in their report dated June 6, 2016.

Brown Smith Wallace, LLP

St. Louis, Missouri
June 20, 2017

FOOD OUTREACH, INC.

Statements of Financial Position

December 31, 2016 and 2015

(See Independent Auditor's Report)

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 209,541	\$ 221,841
Grants receivable	151,696	125,887
Unconditional promises to give	23,689	23,000
Prepaid expenses and deposits	24,830	16,575
Inventories	55,546	39,141
Total Current Assets	465,302	426,444
Investments, at fair value	1,862,038	1,892,561
Property and Equipment, net	603,140	457,036
TOTAL ASSETS	\$ 2,930,480	\$ 2,776,041
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 37,785	\$ 18,713
Accrued payroll and related liabilities	-	33,108
Accrued compensated absences	6,148	4,724
Accrued pension	18,607	18,586
Total Current Liabilities	62,540	75,131
Net Assets		
Unrestricted		
Undesignated - available for operations	964,800	881,874
Investment in property and equipment	603,140	457,036
Board designated operating reserve	1,100,000	1,100,000
Board designated reserve for building and equipment	200,000	200,000
Total unrestricted	2,867,940	2,638,910
Temporarily restricted	-	62,000
Total Net Assets	2,867,940	2,700,910
TOTAL LIABILITIES AND NET ASSETS	\$ 2,930,480	\$ 2,776,041

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

FOOD OUTREACH, INC.

Statement of Activities

Year Ended December 31, 2016

(See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Total
Revenues and Public Support			
Government grants	\$ 816,902	\$ -	\$ 816,902
Individual contributions and tributes	211,860	30,107	241,967
Religious contributions	9,911	-	9,911
Foundation contributions	235,138	19,000	254,138
Corporation contributions	162,083	-	162,083
Special events, net of direct costs of \$98,880	172,627	-	172,627
Appeals and solicitations	57,653	-	57,653
Investment earnings, net of fees	154,269	-	154,269
Miscellaneous	2,000	-	2,000
Net assets released from restrictions	111,107	(111,107)	-
Total revenues and public support	1,933,550	(62,000)	\$ 1,871,550
Expenses			
Program services	1,434,482	-	1,434,482
Management and general	181,137	-	181,137
Fundraising	88,901	-	88,901
Total expenses	1,704,520	-	1,704,520
CHANGE IN NET ASSETS	229,030	(62,000)	167,030
Net assets at beginning of year	2,638,910	62,000	2,700,910
Net assets at end of year	\$ 2,867,940	\$ -	\$ 2,867,940

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

FOOD OUTREACH, INC.

Statement of Activities

Year Ended December 31, 2015

(See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Total
Revenues and Public Support			
Government grants	\$ 701,063	\$ -	\$ 701,063
Individual contributions and tributes	131,433	2,980	134,413
Religious contributions	8,325	-	8,325
Foundation contributions	88,100	211,250	299,350
Corporation contributions	225,186	3,000	228,186
Special events, net of direct costs of \$45,144	263,751	-	263,751
Appeals and solicitations	82,841	-	82,841
Investment earnings, net of fees	23,467	-	23,467
Miscellaneous	157	-	157
Net assets released from restrictions	185,109	(185,109)	-
Total revenues and public support	1,709,432	32,121	1,741,553
Expenses			
Program services	1,381,505	-	1,381,505
Management and general	170,318	-	170,318
Fundraising	234,168	-	234,168
Total expenses	1,785,991	-	1,785,991
CHANGE IN NET ASSETS	(76,559)	32,121	(44,438)
Net assets at beginning of year	2,715,469	29,879	2,745,348
Net assets at end of year	\$ 2,638,910	\$ 62,000	\$ 2,700,910

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

FOOD OUTREACH, INC.

Statement of Functional Expenses

For the year ended December 31, 2016

(See Independent Auditor's Report)

	Program Services		Supporting Services		Total
	HIV/AIDS	Cancer	Mgmt. and General	Fund Raising	
Food, nutritional supplements and consumables	\$ 590,581	\$ 129,640	\$ -	\$ -	\$ 720,221
Salaries, payroll taxes and benefits	361,344	90,336	90,336	60,224	602,240
Postage and printing	-	-	12,974	12,974	25,948
Professional fees	85,108	-	10,638	10,638	106,384
Bank and credit card fees	-	-	5,669	-	5,669
Office expense	19,998	4,390	8,129	-	32,517
Computer software expense	7,966	1,749	3,238	-	12,953
Telephone	4,650	1,021	1,890	-	7,561
Community outreach and other developments	-	-	-	5,065	5,065
Travel and meetings	-	-	3,614	-	3,614
Insurance	18,642	4,092	7,578	-	30,312
Equipment maintenance	5,581	1,225	2,269	-	9,075
Building maintenance	5,581	1,225	2,269	-	9,075
Dues and subscriptions	-	-	2,419	-	2,419
Automobile and truck	2,860	628	-	-	3,488
Occupancy expenses	35,304	7,750	14,351	-	57,405
Depreciation	38,779	8,512	15,763	-	63,054
Miscellaneous expense	7,520	-	-	-	7,520
	<u>\$ 1,183,914</u>	<u>\$ 250,568</u>	<u>\$ 181,137</u>	<u>\$ 88,901</u>	<u>\$ 1,704,520</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, 2015

(See Independent Auditor's Report)

	Program Services		Supporting Services		Total
	HIV/AIDS	Cancer	Mgmt. and General	Fund Raising	
Food, nutritional supplements and consumables	\$ 599,395	\$ 105,776	\$ -	\$ -	\$ 705,171
Salaries, payroll taxes and benefits	268,528	130,989	85,143	170,286	654,946
Postage and printing	11,099	4,933	4,933	3,700	24,665
Professional fees	69,034	30,682	30,682	23,011	153,409
Office expense	13,510	6,005	6,005	4,503	30,023
Computer software expense	2,826	1,256	1,256	942	6,280
Telephone	2,963	1,317	1,317	988	6,585
Community outreach and other developments	3,385	1,504	1,504	1,128	7,521
Travel and meetings	815	362	362	272	1,811
Insurance	13,011	5,783	5,783	4,337	28,914
Equipment maintenance	7,271	3,232	3,232	2,424	16,159
Building maintenance	2,682	1,192	1,192	894	5,960
Dues and subscriptions	3,006	1,336	1,336	1,002	6,680
Automobile and truck	3,218	1,430	1,430	1,073	7,151
Occupancy expenses	29,916	13,296	13,296	9,972	66,480
Depreciation	28,817	12,807	12,807	9,606	64,037
Miscellaneous expense	89	40	40	30	199
	<u>\$ 1,059,565</u>	<u>\$ 321,940</u>	<u>\$ 170,318</u>	<u>\$ 234,168</u>	<u>\$ 1,785,991</u>

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

FOOD OUTREACH, INC.

Statements of Cash Flows

Years ended December 31, 2016 and 2015

(See Independent Auditor's Report)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 167,030	\$ (44,438)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	63,054	64,037
Unrealized/Realized (gain)/loss on investments	(101,187)	32,272
Donated investments	-	(4,161)
(Increase) Decrease in operating assets:		
Grants receivable	(25,809)	(30,712)
Unconditional promises to give	(689)	(19,250)
Prepaid expense and deposits	(8,255)	3,338
Inventories	(16,405)	(5,654)
Increase (Decrease) in operating liabilities:		
Accounts payable	19,072	(9,015)
Accrued payroll and related liabilities	(33,108)	33,108
Accrued compensated absences	1,424	(415)
Accrued pension	21	(2,474)
Net cash provided by operating activities	65,148	16,636
Cash flows from investing activities:		
Purchases of capital assets	(209,158)	(11,100)
Proceeds from sale of investments	804,800	401,366
Purchase of investments	(673,090)	(502,088)
Net cash used in investing activities	(77,448)	(111,822)
NET DECREASE IN CASH	\$ (12,300)	\$ (95,186)
Cash and cash equivalents, beginning of year	221,841	317,027
Cash and cash equivalents, end of year	\$ 209,541	\$ 221,841
Noncash investing and financing activities:		
Donated investments	\$ -	\$ 4,161

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

FOOD OUTREACH, INC.

Notes to Financial Statements

December 31, 2016

(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 are presented on the accrual basis of accounting. Under FASB ASC 958-205, Food Outreach, Inc., is required to report information regarding its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted and permanently restricted as follows:

Unrestricted Net Assets – Those resources over which the Board has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose. The Organization's Board designated net assets at December 31, 2016 and 2015 for the following reasons:

Investment in property and equipment: That portion of unrestricted net assets which has been invested in property and equipment.

Board designated operating reserve: The governing board of directors has approved the segregation of an amount approximating one year's operating expenses to be set aside to survive possible funding restrictions.

Board designated reserve for building and equipment: The governing board of directors has approved the segregation of an amount to be set aside for future repairs and replacement of property and equipment.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2016

(See Independent Auditor's Report)

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

Basis of Accounting and Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets – Those resources subject to donor-imposed or time restrictions that will be satisfied by the actions of the Organization or the passage of time.

Permanently Restricted Net Assets – Those resources subject to donor-imposed restrictions that will be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

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 statement of financial position. Both realized and unrealized gains and losses 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, 2016

(See Independent Auditor's Report)

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

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The contributions are recorded as temporarily restricted support if they are received with donor stipulations that limit use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions are recorded in the temporarily restricted class for restrictions expiring during the fiscal year, and then transferred to the unrestricted class.

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, 2016

(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, 2016 and 2015, 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 AS 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, 2016

(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.

Reclassifications

Certain amounts on the 2015 financial statements have been reclassified, where appropriate, to conform to the presentation used in the 2016 financial statements. Changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Organization has evaluated all subsequent events through June 20, 2017, the date the financial statements were available to be issued.

Note B - Grants Receivable

Grants receivable at December 31, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Ryan White Food Program	\$ 144,018	\$ 85,894
Community Development Block Grant	53	17,665
Federal Emergency Management Agency	-	15,000
St. Louis Area Agency on Aging	7,625	7,328
	<u>\$ 151,696</u>	<u>\$ 125,887</u>
Amounts due in:		
Less than one year	<u>\$ 151,696</u>	<u>\$ 125,887</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, 2016

(See Independent Auditor's Report)

Note C - 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>2016</u>	<u>2015</u>
Amounts due in one year	<u>\$ 23,689</u>	<u>\$ 23,000</u>

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

Note D - Investments

Investments are stated at fair value and at December 31, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Corporate stocks	<u>\$1,354,800</u>	<u>72.76</u>	\$ 942,476	49.80
Corporate/government bonds	<u>463,735</u>	<u>24.90</u>	654,953	34.61
Mutual funds	<u>43,503</u>	<u>2.34</u>	295,132	15.59
Total	<u>\$1,862,038</u>	<u>100.00</u>	\$1,892,561	100.00

Investment earnings for the years ended December 31, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	<u>\$ 63,859</u>	\$ 64,548
Realized/unrealized gain (loss)	<u>101,187</u>	(32,272)
Investment fees	<u>(10,777)</u>	(8,809)
Total	<u>\$ 154,269</u>	\$ 23,467

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2016

(See Independent Auditor's Report)

Note E - Property and Equipment

Property and equipment at December 31, 2016 and 2015, consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 231,573	\$ 231,573
Buildings and building improvements	1,047,606	838,448
Furniture and equipment	200,282	200,282
Software	1,585	1,585
Vehicles	71,794	71,794
	<u>1,552,840</u>	<u>1,343,682</u>
Less: Accumulated depreciation	<u>(949,700)</u>	<u>(886,646)</u>
	<u>\$ 603,140</u>	<u>\$ 457,036</u>

Depreciation expense for the years ended December 31, 2016 and 2015, was \$63,054 and \$64,037, respectively.

Note F - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 and 2015, are available for the following purposes or periods:

	<u>2016</u>	<u>2015</u>
Restricted for food in 2017	\$ -	\$ 62,000
Total	<u>\$ -</u>	<u>\$ 62,000</u>
Net assets released:		
Program restrictions	<u>\$ 111,107</u>	<u>\$ 185,109</u>
Total	<u>\$ 111,107</u>	<u>\$ 185,109</u>

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2016

(See Independent Auditor's Report)

Note G - Donated Services and Materials

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

	December 31,	
	2016	2015
Public support and revenue:		
Individual contributions and tributes	\$ 99,637	\$ 82,075
Foundation contributions and grants	89,500	89,500
	<u>\$ 189,137</u>	<u>\$ 171,575</u>
Expenses:		
Professional services	\$ 75,000	\$ 75,000
Occupancy and utilities	14,500	14,500
Food, nutritional supplements, and consumables	99,637	82,075
	<u>\$ 189,137</u>	<u>\$ 171,575</u>

Note H - Fair Value Measurements

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, 2016

(See Independent Auditor's Report)

Note H - 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, 2016 and 2015.

Fair value of assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

December 31, 2016	Fair Value	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Corporate stocks	\$ 1,354,800	\$ 1,354,800	\$ -	\$ -
Corporate/government bonds	463,735	-	463,735	-
Mutual funds	43,503	43,503	-	-
Total	\$ 1,862,038	\$ 1,398,303	\$ 463,735	\$ -

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2016

(See Independent Auditor's Report)

Note H - Fair Value Measurements (Continued)

December 31, 2015	Fair Value	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Corporate stocks	\$ 942,476	\$ 942,476	\$ -	\$ -
Corporate/government bonds	654,953	-	654,953	-
Mutual funds	295,132	295,132	-	-
Total	\$ 1,892,561	\$ 1,237,608	\$ 654,953	\$ -

Note I - 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. Pension expense was \$18,607 and \$18,586 for the years ended December 31, 2016 and 2015, respectively. Eligible employees may also participate in a 403(b) plan established by the Organization.

Note J - Concentrations

For both of the years ended December 31, 2016 and 2015, the Organization received approximately 41%, 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 events could have an adverse effect on program services and finances.

Note K - 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.