

FOOD OUTREACH, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017

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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 statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 14, 2018

FOOD OUTREACH, INC.

Statements of Financial Position

December 31, 2017 and 2016

(See Independent Auditor's Report)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 415,227	\$ 209,541
Grants receivable	120,177	151,696
Unconditional promises to give	30,561	23,689
Prepaid expenses and deposits	29,778	24,830
Inventories	34,587	55,546
Total Current Assets	630,330	465,302
Investments, at fair value	2,033,118	1,862,038
Property and Equipment, net	559,622	603,140
TOTAL ASSETS	\$ 3,223,070	\$ 2,930,480
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 25,151	\$ 37,785
Accrued compensated absences	9,823	6,148
Accrued pension	20,297	18,607
Total Current Liabilities	55,271	62,540
Net Assets		
Unrestricted		
Undesignated - available for operations	1,308,177	964,800
Investment in property and equipment	559,622	603,140
Board designated operating reserve	1,100,000	1,100,000
Board designated reserve for building and equipment	200,000	200,000
Total unrestricted	3,167,799	2,867,940
Total Net Assets	3,167,799	2,867,940
TOTAL LIABILITIES AND NET ASSETS	\$ 3,223,070	\$ 2,930,480

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)

	Unrestricted	Temporarily Restricted	Total
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	2,078,207	-	2,078,207
Expenses			
Program services	1,492,286	-	1,492,286
Management and general	204,008	-	204,008
Fundraising	82,054	-	82,054
Total expenses	1,778,348	-	1,778,348
CHANGE IN NET ASSETS	299,859	-	299,859
Net assets at beginning of year	2,867,940	-	2,867,940
Net assets at end of year	\$ 3,167,799	\$ -	\$ 3,167,799

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 \$45,144	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 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
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
	<u>\$ 1,227,183</u>	<u>\$ 265,103</u>	<u>\$ 1,492,286</u>	<u>\$ 204,008</u>	<u>\$ 82,054</u>	<u>\$ 1,778,348</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, 2016

(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	\$ 590,581	\$ 129,640	\$ 720,221	\$ -	\$ -	\$ 720,221
Salaries, payroll taxes and benefits	361,344	90,336	451,680	90,336	60,224	602,240
Postage and printing	-	-	-	12,974	12,974	25,948
Professional fees	85,108	-	85,108	10,638	10,638	106,384
Bank and credit card fees	-	-	-	5,669	-	5,669
Office expense	19,998	4,390	24,388	8,129	-	32,517
Computer software expense	7,966	1,749	9,715	3,238	-	12,953
Telephone	4,650	1,021	5,671	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	22,734	7,578	-	30,312
Equipment maintenance	5,581	1,225	6,806	2,269	-	9,075
Building maintenance	5,581	1,225	6,806	2,269	-	9,075
Dues and subscriptions	-	-	-	2,419	-	2,419
Automobile and truck	2,860	628	3,488	-	-	3,488
Occupancy expenses	35,304	7,750	43,054	14,351	-	57,405
Depreciation	38,779	8,512	47,291	15,763	-	63,054
Miscellaneous expense	7,520	-	7,520	-	-	7,520
	<u>\$ 1,183,914</u>	<u>\$ 250,568</u>	<u>\$ 1,434,482</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.

Statements of Cash Flows

Years ended December 31, 2017 and 2016

(See Independent Auditor's Report)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 299,859	\$ 167,030
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	66,456	63,054
Unrealized/realized gains on investments	(249,499)	(101,187)
(Increase) Decrease in operating assets:		
Grants receivable	31,519	(25,809)
Unconditional promises to give	(6,872)	(689)
Prepaid expense and deposits	(4,948)	(8,255)
Inventories	20,959	(16,405)
Increase (Decrease) in operating liabilities:		
Accounts payable	(12,634)	19,072
Accrued payroll and related liabilities	-	(33,108)
Accrued compensated absences	3,675	1,424
Accrued pension	1,690	21
Net cash provided by operating activities	150,205	65,148
Cash flows from investing activities:		
Purchases of capital assets	(22,938)	(209,158)
Proceeds from sale of investments	340,779	804,800
Purchase of investments	(262,360)	(673,090)
Net cash provided by (used in) investing activities	55,481	(77,448)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 205,686	\$ (12,300)
Cash and cash equivalents, beginning of year	209,541	221,841
Cash and cash equivalents, end of year	\$ 415,227	\$ 209,541

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

FOOD OUTREACH, INC.

Notes to Financial Statements

December 31, 2017

(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, 2017 and 2016 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, 2017

(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, 2017 and 2016.

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. 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, 2017

(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, 2017

(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, 2017 and 2016, 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, 2017

(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.

Subsequent Events

The Organization has evaluated all subsequent events through May 14, 2018, the date the financial statements were available to be issued.

Note B - Grants Receivable

Grants receivable at December 31, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Ryan White Food Program	\$ 112,307	\$ 144,018
Community Development Block Grant	-	53
St. Louis Area Agency on Aging	7,870	7,625
	<u>\$ 120,177</u>	<u>\$ 151,696</u>
Amounts due in:		
Less than one year	<u>\$ 120,177</u>	<u>\$ 151,696</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, 2017

(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>2017</u>	<u>2016</u>
Amounts due in one year	<u>\$ 30,651</u>	<u>\$ 23,689</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, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>%</u>	<u>2016</u>	<u>%</u>
Corporate stocks	<u>\$1,449,362</u>	<u>71.29</u>	\$1,354,800	72.76
Corporate/government bonds	<u>533,800</u>	<u>26.26</u>	463,735	24.90
Mutual funds	<u>49,956</u>	<u>2.45</u>	43,503	2.34
Total	<u>\$2,033,118</u>	<u>100.00</u>	<u>\$1,862,038</u>	<u>100.00</u>

Investment earnings for the years ended December 31, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	<u>\$ 61,524</u>	\$ 63,859
Realized/unrealized gain (loss)	<u>249,499</u>	101,187
Investment fees	<u>(12,174)</u>	(10,077)
Total	<u>\$ 298,849</u>	<u>\$ 154,269</u>

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2017

(See Independent Auditor's Report)

Note E - Property and Equipment

Property and equipment at December 31, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 231,573	\$ 231,573
Buildings and building improvements	1,047,606	1,047,606
Furniture and equipment	223,220	200,282
Software	1,585	1,585
Vehicles	71,794	71,794
	<u>1,575,778</u>	<u>1,552,840</u>
Less: Accumulated depreciation	<u>(1,016,156)</u>	<u>(949,700)</u>
	<u>\$ 559,622</u>	<u>\$ 603,140</u>

Depreciation expense for the years ended December 31, 2017 and 2016, was \$66,456 and \$63,054, respectively.

Note F - Temporarily Restricted Net Assets

The Organization had no temporarily restricted net assets at December 31, 2017 and 2016. However, the Organization received \$44,900 and \$111,107 in temporarily restricted contributions in the years ended December 31, 2017 and 2016, respectively. The temporary restrictions were met in both years ended December 31, 2017 and 2016 and released from program restrictions as noted below.

	<u>2017</u>	<u>2016</u>
Net assets released from restrictions:		
Program restrictions	<u>\$ 44,900</u>	<u>\$ 111,107</u>

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2017

(See Independent Auditor's Report)

Note G - Donated Services and Materials

The values 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:

	December 31,	
	2017	2016
Public support and revenue:		
Individual contributions and tributes	\$ 96,915	\$ 99,637
Foundation contributions and grants	94,500	89,500
	<u>\$ 191,415</u>	<u>\$ 189,137</u>
Expenses:		
Professional services	\$ 75,000	\$ 75,000
Occupancy and utilities	14,500	14,500
Food, nutritional supplements, and consumables	96,915	99,637
Supplies	5,000	-
	<u>\$ 191,415</u>	<u>\$ 189,137</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, 2017

(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, 2017 and 2016.

Fair value of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

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	\$ -

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2017

(See Independent Auditor's Report)

Note H - Fair Value Measurements (Continued)

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	\$ -

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 \$20,297 and \$18,607 for the years ended December 31, 2017 and 2016, respectively. Eligible employees may also participate in a 403(b) plan established by the Organization.

Note J - Concentrations

For the years ended December 31, 2017 and 2016, the Organization received approximately 44% 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.

FOOD OUTREACH, INC.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2017

Federal Grantor/Pass-through Grantor/ Program Titles	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
HIV Emergency Relief Program:			
Pass - through program from:			
City of St. Louis, Department of Health			
Ryan White - MO	93.914	43-1492878	\$ 522,864
Ryan White - IL	93.914	43-1492878	<u>159,025</u>
Total HIV Emergency Relief Program			<u>681,889</u>
Pass - through program from:			
City of St. Louis			
St. Louis Area Agency on Aging	93.045	8100905	<u>90,781</u>
Total Department of Health and Human Services			<u>772,670</u>
Department of Housing and Urban Development			
Pass - through program from:			
City of St. Louis			
Community Development Block Grant	14.218	16-12-81	<u>110,000</u>
Total Department of Housing and Urban Development			<u>110,000</u>
Department of Homeland Security			
Federal Emergency Management Agency	97.067		<u>32,000</u>
Total Department of Homeland Security			<u>32,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 914,670</u></u>