

FOOD OUTREACH, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019

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



THE FIRM FOR GROWTH.®

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, 2019 and 2018, 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, 2019 and 2018, 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
February 20, 2020

FOOD OUTREACH, INC.

Statements of Financial Position

December 31, 2019 and 2018

(See Independent Auditor's Report)

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 458,014	\$ 356,825
Grants receivable	110,285	114,849
Unconditional promises to give	-	14,785
Prepaid expenses and deposits	32,446	27,652
Inventories	41,416	38,674
Total Current Assets	642,161	552,785
Investments, at fair value	2,743,298	2,248,904
Property and Equipment, net	459,162	520,664
TOTAL ASSETS	\$ 3,844,621	\$ 3,322,353
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 18,009	\$ 25,045
Accrued compensated absences	7,027	7,166
Accrued pension	27,293	27,339
Total Current Liabilities	52,329	59,550
Net Assets		
Without donor restrictions		
Undesignated - available for operations	1,994,130	1,407,761
Investment in property and equipment	459,162	520,664
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	3,753,292	3,228,425
With donor restrictions		
Purpose restrictions	39,000	34,378
Total with donor restrictions	39,000	34,378
Total Net Assets	3,792,292	3,262,803
TOTAL LIABILITIES AND NET ASSETS	\$ 3,844,621	\$ 3,322,353

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

FOOD OUTREACH, INC.

Statement of Activities

Year ended December 31, 2019

(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Public Support			
Government grants	\$ 962,133	\$ -	\$ 962,133
Individual contributions and tributes	169,951	17,504	187,455
Religious contributions	5,773	-	5,773
Foundation contributions	239,740	16,000	255,740
Corporation contributions	197,622	-	197,622
Special events, net of direct costs of \$54,561	267,191	39,000	306,191
Appeals and solicitations	36,134	-	36,134
Investment earnings, net of fees	497,860	-	497,860
Miscellaneous	1,189	-	1,189
Net assets released from restrictions	67,882	(67,882)	-
Total revenues and public support	2,445,475	4,622	2,450,097
Expenses			
Program services	1,588,349	-	1,588,349
Management and general	240,082	-	240,082
Fundraising	92,177	-	92,177
Total expenses	1,920,608	-	1,920,608
CHANGE IN NET ASSETS	524,867	4,622	529,489
Net assets at beginning of year	3,228,425	34,378	3,262,803
Net assets at end of year	\$ 3,753,292	\$ 39,000	\$ 3,792,292

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)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
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)	-
	<hr/>	<hr/>	<hr/>
Total revenues and public support	1,877,599	34,378	1,911,977
Expenses			
Program services	1,522,233	-	1,522,233
Management and general	211,947	-	211,947
Fundraising	82,793	-	82,793
	<hr/>	<hr/>	<hr/>
Total expenses	1,816,973	-	1,816,973
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	60,626	34,378	95,004
	<hr/>	<hr/>	<hr/>
Net assets at beginning of year	3,167,799	-	3,167,799
	<hr/>	<hr/>	<hr/>
Net assets at end of year	\$ 3,228,425	\$ 34,378	\$ 3,262,803
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

FOOD OUTREACH, INC.

Statement of Functional Expenses

For the year ended December 31, 2019

(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	\$ 626,054	\$ 137,427	\$ 763,481	\$ -	\$ -	\$ 763,481
Salaries, payroll taxes and benefits	443,846	110,961	554,807	110,961	73,974	739,742
Postage and printing	-	-	-	12,694	12,694	25,388
Professional fees	75,000	-	75,000	37,577	-	112,577
Bank and credit card fees	-	-	-	4,426	-	4,426
Event expenses	-	-	-	-	54,561	54,561
Office expense	18,919	4,153	23,072	7,691	-	30,763
Computer software expense	12,439	2,731	15,170	5,056	-	20,226
Telephone	3,007	660	3,667	1,222	-	4,889
Community outreach and other developments	-	-	-	-	5,509	5,509
Travel and meetings	-	-	-	6,805	-	6,805
Insurance	16,080	3,530	19,610	6,537	-	26,147
Equipment maintenance	1,741	382	2,123	708	-	2,831
Building maintenance	28,787	6,319	35,106	11,704	-	46,810
Dues and subscriptions	-	-	-	3,741	-	3,741
Automobile and truck	2,715	596	3,311	-	-	3,311
Occupancy expenses	38,340	8,416	46,756	15,585	-	62,341
Depreciation	37,825	8,302	46,127	15,375	-	61,502
Miscellaneous expense	119	-	119	-	-	119
Total expenses by function	<u>1,304,872</u>	<u>283,477</u>	<u>1,588,349</u>	<u>240,082</u>	<u>146,738</u>	<u>1,975,169</u>
Less expenses included with revenues in the statement of activities						
Cost of direct benefits to donors	-	-	-	-	(54,561)	(54,561)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,304,872</u>	<u>\$ 283,477</u>	<u>\$ 1,588,349</u>	<u>\$ 240,082</u>	<u>\$ 92,177</u>	<u>\$ 1,920,608</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	75,000	-	75,000	28,178	-	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	1,251,845	270,388	1,522,233	211,947	147,939	1,882,119
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	\$ 1,251,845	\$ 270,388	\$ 1,522,233	\$ 211,947	\$ 82,793	\$ 1,816,973

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

FOOD OUTREACH, INC.

Statements of Cash Flows

Years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 529,489	\$ 95,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	61,502	68,785
Unrealized/realized loss/(gain) on investments	(425,850)	125,186
(Increase) Decrease in operating assets:		
Grants receivable	4,564	5,328
Unconditional promises to give	14,785	15,776
Prepaid expense and deposits	(4,794)	2,126
Inventories	(2,742)	(4,087)
Increase (Decrease) in operating liabilities:		
Accounts payable	(7,036)	(106)
Accrued compensated absences	(139)	(2,657)
Accrued pension	(46)	7,042
Net cash provided by operating activities	169,733	312,397
Cash flows from investing activities:		
Purchases of capital assets	-	(29,827)
Proceeds from sale of investments	446,708	407,071
Purchase of investments	(515,252)	(748,043)
Net cash used in investing activities	(68,544)	(370,799)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101,189	(58,402)
Cash and cash equivalents, beginning of year	356,825	415,227
Cash and cash equivalents, end of year	\$ 458,014	\$ 356,825

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

FOOD OUTREACH, INC.

Notes to Financial Statements

December 31, 2019

(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, 2019

(See Independent Auditor's Report)

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

Use of Estimates

The preparation 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.

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.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2019

(See Independent Auditor's Report)

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

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.

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.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2019

(See Independent Auditor's Report)

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

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, 2019 and 2018, 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, 2019

(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

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly for all periods presented.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to conform to the financial statement presentation used in 2019. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Organization has evaluated all subsequent events through February 20, 2020, the date the financial statements were available to be issued.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2019

(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:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 458,014	\$ 356,825
Grants receivable	110,285	114,849
Unconditional promises to give	-	14,785
Investments	<u>2,743,298</u>	<u>2,248,904</u>
	<u>3,311,597</u>	<u>2,735,363</u>
Less: Board designated operating reserve and reserve for building and equipment	1,300,000	1,300,000
Less: Donor restrictions due to purpose	<u>39,000</u>	<u>34,378</u>
	<u>\$ 1,972,597</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, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>2018</u>
Ryan White Food Program	\$ 99,516	\$ 104,776
St. Louis Area Agency on Aging	<u>10,769</u>	<u>10,073</u>
	<u>\$ 110,285</u>	<u>\$ 114,849</u>
Amounts due in:		
Less than one year	<u>\$ 110,285</u>	<u>\$ 114,849</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, 2019

(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>2019</u>	<u>2018</u>
Amounts due in one year	\$ -	\$ 14,785

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, 2019 and 2018, consists of the following:

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Corporate stocks	\$1,921,401	70.04	\$1,603,672	71.31
Corporate/government bonds	772,141	28.15	603,175	26.82
Mutual funds	49,756	1.81	42,057	1.87
Total	<u>\$2,743,298</u>	<u>100.00</u>	<u>\$2,248,904</u>	<u>100.00</u>

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, 2019

(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, 2019 and 2018.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2019

(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, 2019 and 2018 are as follows:

December 31, 2019	Fair Value	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Corporate stocks	\$ 1,921,401	\$ 1,921,401	\$ -	\$ -
Corporate/government bonds	772,141	772,141	-	-
Mutual funds	49,756	49,756	-	-
Total	\$ 2,743,298	\$ 2,743,298	\$ -	\$ -

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	\$ 2,248,904	\$ -	\$ -

Note F - Property and Equipment

Property and equipment at December 31, 2019 and 2018, consists of the following:

	2019	2018
Land	\$ 231,573	\$ 231,573
Buildings and building improvements	1,047,606	1,047,606
Furniture and equipment	253,047	253,047
Software	1,585	1,585
Vehicles	71,794	71,794
	1,605,605	1,605,605
Less: Accumulated depreciation	(1,146,443)	(1,084,941)
	\$ 459,162	\$ 520,664

Depreciation expense for the years ended December 31, 2019 and 2018, was \$61,502 and \$68,785, respectively.

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2019

(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>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Special events	<u>\$ 39,000</u>	<u>\$ 34,378</u>

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

	<u>2019</u>	<u>2018</u>
Purpose restriction accomplished	<u>\$ 67,882</u>	<u>\$ 1,810</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>2019</u>	<u>2018</u>
Public support and revenue:		
Individual contributions and tributes	\$ 87,435	\$ 121,790
Foundation contributions and grants	<u>89,500</u>	<u>89,500</u>
	<u>\$ 176,935</u>	<u>\$ 211,290</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>87,435</u>	<u>121,790</u>
	<u>\$ 176,935</u>	<u>\$ 211,290</u>

FOOD OUTREACH, INC.

Notes to Financial Statements - Continued

December 31, 2019

(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 \$27,293 and \$27,339 for the years ended December 31, 2019 and 2018, respectively. Eligible employees may also participate in a 403(b) plan established by the Organization.

Note K - Concentrations

For the years ended December 31, 2019 and 2018, the Organization received approximately 50% and 45%, respectively, of all revenue from government funded grants: Ryan White CARE Act Title I Food Program, Older Americans Act, Title II, Part C, Community Development Block Grant, and St. Louis Area Agency on Aging. 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.