



RANDLE & ASSOCIATES, LLC
Certified Public Accountants

FOOD OUTREACH, INC.

Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)



RANDLE & ASSOCIATES, LLC, CPA

Certified Public Accountant

(314) 731-8085

www.randlecpa.com — INDEPENDENT AUDITORS' REPORT

70 Black Jack Ct.
Florissant, MO 63033

Board of Directors
Food Outreach, Inc.

Opinion

We have audited the accompanying financial statements of Food Outreach, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Outreach, Inc. as of December 31, 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Outreach, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Food Outreach, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Outreach Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2021, on our consideration of Food Outreach Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Food Outreach Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Food Outreach Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Food Outreach, Inc. as of December 31, 2019, were audited by other auditors whose report dated February 20, 2020, expressed an unmodified opinion on those statements.

Randall & Associates, LLC, CPAs

Florissant, Missouri

April 21, 2021

FOOD OUTREACH INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

| | December 31, | |
|--|----------------------------|----------------------------|
| | 2020 | 2019 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 664,890 | \$ 458,014 |
| Grants receivable | 218,021 | 110,285 |
| Prepaid expenses | 47,825 | 32,446 |
| Inventory | 88,869 | 41,416 |
| Total Current Assets | <u>1,019,605</u> | <u>642,161</u> |
| Investments, at fair value | 3,550,976 | 2,743,298 |
| Property and equipment, (net of accumulated depreciation of \$1,176,957 and \$1,146,442, for 2020 and 2019, respectively) | <u>504,566</u> | <u>459,162</u> |
| TOTAL ASSETS | <u>5,075,147</u> | <u>3,844,621</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 31,735 | 18,009 |
| Accrued compensated absences | 8,759 | 7,027 |
| Accrued pension | 28,537 | 27,293 |
| Total Current Liabilities | <u>69,031</u> | <u>52,329</u> |
| Notes payable | <u>120,000</u> | <u>-</u> |
| TOTAL LIABILITIES | 189,031 | 52,329 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated - available for operations | 3,071,550 | 1,994,130 |
| Investment in property and equipment | 504,566 | 459,162 |
| 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 | <u>4,876,116</u> | <u>3,753,292</u> |
| With donor restrictions | | |
| Purpose restrictions | 10,000 | 39,000 |
| Total with donor restrictions | <u>10,000</u> | <u>39,000</u> |
| TOTAL NET ASSETS | <u>4,886,116</u> | <u>3,792,292</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,075,147</u> | <u>\$ 3,844,621</u> |

See auditor's report and accompanying notes to financial statements

FOOD OUTREACH INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | | | 2019 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenue | | | | | | |
| Support | | | | | | |
| Government grants | \$ 1,209,577 | \$ - | \$ 1,209,577 | \$ 962,133 | \$ - | \$ 962,133 |
| Individual contributions and tributes | 329,281 | 15,300 | 344,581 | 126,233 | 17,504 | 143,737 |
| Donation In-Kind | 105,934 | - | 105,934 | 176,935 | - | 176,935 |
| Religious contributions | 6,547 | - | 6,547 | 5,773 | - | 5,773 |
| Foundation contributions | 578,500 | - | 578,500 | 239,740 | 16,000 | 255,740 |
| Corporation contributions | 81,785 | - | 81,785 | 64,405 | - | 64,405 |
| Special events (net of direct cost of \$23,078 and \$54,561 for 2020 and 2019 respectively) | 282,346 | - | 282,346 | 267,191 | 39,000 | 306,191 |
| Appeals and solicitations | 72,904 | - | 72,904 | 36,134 | - | 36,134 |
| Investment earnings, net of fees | 324,848 | - | 324,848 | 497,860 | - | 497,860 |
| Miscellaneous | 762 | - | 762 | 1,189 | - | 1,189 |
| Total | 2,992,484 | 15,300 | 3,007,784 | 2,377,593 | 72,504 | 2,450,097 |
| Net assets released from restrictions | 44,300 | (44,300) | - | 67,882 | (67,882) | - |
| Total support and revenue | 3,036,784 | (29,000) | 3,007,784 | 2,445,475 | 4,622 | 2,450,097 |
| Expenses | | | | | | |
| Program services | 1,481,070 | - | 1,481,070 | 1,588,349 | - | 1,588,349 |
| Supporting services: | | | | | | |
| Administration | 272,033 | - | 272,033 | 240,082 | - | 240,082 |
| Fundraising | 160,857 | - | 160,857 | 92,177 | - | 92,177 |
| Total expenses | 1,913,960 | - | 1,913,960 | 1,920,608 | - | 1,920,608 |
| CHANGE IN NET ASSETS | 1,122,824 | (29,000) | 1,093,824 | 524,867 | 4,622 | 529,489 |
| Net Assets Without Donor Restrictions, Beginning of year | 3,753,292 | 39,000 | 3,792,292 | 3,228,425 | 34,378 | 3,262,803 |
| Net Assets Without Donor Restrictions, End of year | <u>\$ 4,876,116</u> | <u>\$ 10,000</u> | <u>\$ 4,886,116</u> | <u>\$ 3,753,292</u> | <u>\$ 39,000</u> | <u>\$ 3,792,292</u> |

See auditor's report and accompanying notes to financial statements

**FOOD OUTREACH INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

| | December 31, | |
|---|--------------------------|--------------------------|
| | <u>2020</u> | <u>2019</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,093,824 | \$ 529,489 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 34,121 | 61,502 |
| Unrealized/realized loss/(gain) on investments | (185,489) | (425,850) |
| (Increase) Decrease in operating assets: | | |
| Grants receivable | (107,736) | 4,564 |
| Unconditional promises to give | - | 14,785 |
| Prepaid expenses and deposits | (15,379) | (4,794) |
| Inventories | (47,453) | (2,742) |
| Increase/(Decrease) in operating liabilities: | | |
| Accounts payable | 13,726 | (7,036) |
| Accrued compensated absences | 1,732 | (139) |
| Accrued pension | 1,244 | (46) |
| Total adjustments | <u>(305,234)</u> | <u>(359,756)</u> |
| CASH PROVIDED BY OPERATING ACTIVITIES | <u>788,590</u> | <u>169,733</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of capital assets | (79,525) | - |
| Proceeds from sale investments | 1,091,718 | 446,708 |
| Purchase of investments | (1,713,907) | (515,252) |
| CASH USED FOR INVESTING ACTIVITIES | <u>(701,714)</u> | <u>(68,544)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loan | <u>120,000</u> | <u>-</u> |
| CASH PROVIDED BY FINANCING ACTIVITIES | <u>120,000</u> | <u>-</u> |
| NET INCREASE IN CASH | 206,876 | 101,189 |
| CASH AT BEGINNING OF YEAR | <u>458,014</u> | <u>356,825</u> |
| CASH AT END OF YEAR | <u><u>\$ 664,890</u></u> | <u><u>\$ 458,014</u></u> |

See auditor's report and accompanying notes to financial statements.

FOOD OUTREACH INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | HIV/AIDS | Cancer | Total Program | Administrative | Fundraising | Total |
|---|---------------------|-------------------|---------------------|-------------------|-------------------|---------------------|
| Salaries | \$ 293,706 | \$ 51,830 | \$ 345,536 | \$ 143,974 | \$ 86,384 | \$ 575,894 |
| Employee benefits | 78,378 | 13,831 | 92,209 | 38,420 | 23,052 | 153,681 |
| Payroll taxes and other expenses | 22,787 | 4,021 | 26,808 | 11,170 | 6,702 | 44,680 |
| | <u>394,871</u> | <u>69,682</u> | <u>464,553</u> | <u>193,564</u> | <u>116,138</u> | <u>774,255</u> |
| Automobile and truck | 3,108 | 548 | 3,656 | - | - | 3,656 |
| Bank and credit card fees | - | - | - | 4,026 | 18,000 | 22,026 |
| Computer software expense | 15,202 | 3,187 | 18,389 | 6,129 | - | 24,518 |
| Depreciation | 21,155 | 4,436 | 25,591 | 8,530 | - | 34,121 |
| Dues and subscriptions | - | - | - | 4,275 | - | 4,275 |
| Food, nutritional supplements and consumables | 569,644 | 100,525 | 670,169 | - | - | 670,169 |
| In-kind: | | | | | | |
| Food, nutritional supplements and consumables | 90,044 | 15,890 | 105,934 | - | - | 105,934 |
| Fundraising and event expenses | - | - | - | - | 23,078 | 23,078 |
| Insurance | 23,593 | 4,947 | 28,540 | 9,514 | - | 38,054 |
| Maintenance - building | 17,031 | 3,571 | 20,602 | 6,868 | - | 27,470 |
| Miscellaneous expenses | 183 | - | 183 | - | - | 183 |
| Occupancy | 25,862 | 5,423 | 31,285 | 10,428 | - | 41,713 |
| Office expenses | 24,993 | 5,119 | 30,112 | 10,037 | - | 40,149 |
| Printing and postage | 11,846 | 2,090 | 13,936 | 7,118 | 7,118 | 28,172 |
| Professional and legal fees | 62,851 | 960 | 63,811 | 8,336 | 8,016 | 80,163 |
| Community outreach and other developments | - | - | - | - | 11,585 | 11,585 |
| Telephone | 3,562 | 747 | 4,309 | 1,436 | - | 5,745 |
| Travel and meetings | - | - | - | 1,772 | - | 1,772 |
| | <u>1,263,945</u> | <u>217,125</u> | <u>1,481,070</u> | <u>272,033</u> | <u>183,935</u> | <u>1,937,038</u> |
| Total expense by function | | | | | | |
| Less expenses included with revenues in statement of activities | - | - | - | - | (23,078) | (23,078) |
| | <u>\$ 1,263,945</u> | <u>\$ 217,125</u> | <u>\$ 1,481,070</u> | <u>\$ 272,033</u> | <u>\$ 160,857</u> | <u>\$ 1,913,960</u> |

See auditor's report and accompanying notes to financial statements

FOOD OUTREACH INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | HIV/AIDS | Cancer | Total Program | Administrative | Fundraising | Total |
|---|--------------|------------|---------------|----------------|-------------|--------------|
| Salaries | \$ 328,306 | \$ 82,076 | \$ 410,382 | \$ 82,076 | \$ 54,717 | \$ 547,175 |
| Employee benefits | 89,891 | 22,473 | 112,364 | 22,473 | 14,982 | 149,819 |
| Payroll taxes and other expenses | 25,649 | 6,412 | 32,061 | 6,412 | 4,275 | 42,748 |
| | 443,846 | 110,961 | 554,807 | 110,961 | 73,974 | 739,742 |
| Automobile and truck | 2,715 | 596 | 3,311 | - | - | 3,311 |
| Bank and credit card fees | - | - | - | 4,426 | - | 4,426 |
| Computer software expense | 12,439 | 2,731 | 15,170 | 5,056 | - | 20,226 |
| Depreciation | 37,825 | 8,302 | 46,127 | 15,375 | - | 61,502 |
| Dues and subscriptions | - | - | - | 3,741 | - | 3,741 |
| Food, nutritional supplements and consumables | 553,483 | 122,563 | 676,046 | - | - | 676,046 |
| In-kind: | | | | | | |
| Professional and legal fees | 75,000 | - | 75,000 | | | 75,000 |
| Occupancy | 8,990 | 1,885 | 10,875 | 3,625 | - | 14,500 |
| Food, nutritional supplements and consumables | 72,571 | 14,864 | 87,435 | - | - | 87,435 |
| Fundraising and event expenses | - | - | - | - | 54,561 | 54,561 |
| Insurance | 16,080 | 3,530 | 19,610 | 6,537 | - | 26,147 |
| Maintenance - building | 28,787 | 6,319 | 35,106 | 11,704 | - | 46,810 |
| Maintenance - equipment | 1,741 | 382 | 2,123 | 708 | - | 2,831 |
| Miscellaneous expenses | 119 | - | 119 | - | - | 119 |
| Occupancy | 29,350 | 6,531 | 35,881 | 11,960 | - | 47,841 |
| Office expenses | 18,919 | 4,153 | 23,072 | 7,691 | - | 30,763 |
| Printing and postage | - | - | - | 12,694 | 12,694 | 25,388 |
| Professional and legal fees | - | - | - | 37,577 | - | 37,577 |
| Community outreach and other developments | - | - | - | - | 5,509 | 5,509 |
| Telephone | 3,007 | 660 | 3,667 | 1,222 | - | 4,889 |
| Travel and meetings | - | - | - | 6,805 | - | 6,805 |
| Total expense by function | 1,304,872 | 283,477 | 1,588,349 | 240,082 | 146,738 | 1,975,169 |
| Less expenses included with revenues in statement of activities | - | - | - | - | (54,561) | (54,561) |
| | \$ 1,304,872 | \$ 283,477 | \$ 1,588,349 | \$ 240,082 | \$ 92,177 | \$ 1,920,608 |

See auditor's report and accompanying notes to financial statements

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2020 and 2019

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities

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

The Organization maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions: Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations or donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2020 and 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Organization maintains cash balances various domestic financial institutions which at times may exceed the federally insured limits. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. The Organization has not experienced any losses in any accounts and believes it is not exposed to any significant credit risk on cash.

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 investments 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.

Contributions and Promises to Give

Contributions received are recorded as increases without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity and realized as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2020 and 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Grants Receivable

Governmental grants are generally recorded on a cost reimbursement basis. Grants receivable are 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.

Inventory

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

Property and Equipment

Furniture and equipment are recorded at cost, if purchased, or fair value at the time of donation, if donated. 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, 2020 and 2019, 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.

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2020 and 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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.

Income Tax Status

The Organization is tax-exempt under Section 501c (3) of the Internal Revenue Service Code. As such, the Organization can only be taxed on income from any activities unrelated to its charitable purpose. There were no unrelated business income for 2020 or 2019; therefore, the statements do not include any provision for income taxes.

The Organization has adopted the standards for accounting for uncertainty in income taxes and management is not aware of any uncertain tax provisions of the Organization related to the tax filings.

The Organization continually evaluates the effects of all tax positions taken including expiring statutes of limitations, tax examinations, unrelated business income and new authoritative rulings. The Organization files federal informational returns (Form 990). The statutes of limitations for informational returns filed for the years ended December 31, 2017 through 2020 have not expired and therefore are subject to examination.

Estimates

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

Functional Expenses

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

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2020 and 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reclassification

Certain 2019 amounts have been reclassified in order to conform to the 2020 financial statement presentation.

Paycheck Protection Program Loan

The Organization has a loan that is part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the Organization expects to use the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization considers the PPP loan to be debt, subject to the provisions GASB Statement No 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees.

The loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been legally released or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, the Organization will reduce the liability by the amount forgiven and record an inflow of resources. The Organization intends to apply for forgiveness of all principal and interest, in an amount equal to the sum of qualified expenses under the PPP incurred during the 24 weeks following initial disbursement. Notwithstanding the Organization's expected eligibility for forgiveness, no assurance can be given that the Organization will obtain forgiveness of all or any portion of amounts due.

Evaluation of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through April 21, 2021, the date the financial statements were available to be issued.

Recent Accounting Pronouncements Issued Not Yet Effective

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021.

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2020 and 2019

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements Issued Not Yet Effective (continued)

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958)*, to improve generally accepted accounting principles (GAAP) by increasing transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for fiscal years beginning after June 15, 2021.

The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

NOTE 2 – Concentration of Credit Risk

The Organization generates receivables and revenues from governmental agencies in the normal course of business. The Organization does not require collateral to secure these receivables and is under the belief they are fully collectible.

NOTE 3 – Concentration of Revenue

The Organization received approximately 47% and 48% of its operating budget in 2020 and 2019, respectively, from government funded grants: CAREs, Ryan White 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.

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NOTE 4 – Grants Receivable

Grants receivable at December 31, 2020 and 2019 consisted of the followings:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|--------------------|-------------------|
| Ryan White Food Program | \$ 94,035 | \$ 99,516 |
| CDBG | 12,370 | - |
| Dept. of Treasury - CARES | 74,237 | - |
| FEMA | 12,800 | - |
| St. Louis Area Agency on Aging | <u>24,579</u> | <u>10,769</u> |
| | \$ <u>218,021</u> | \$ <u>110,285</u> |
| Amounts due in: | | |
| Less than one year | \$ 218,021 | \$ 110,285 |
| One to five years | <u>-</u> | <u>-</u> |
| | \$ <u>-218,021</u> | \$ <u>110,285</u> |

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

NOTE 5 – Investments and Fair Value Measurements

Investments are stated at fair value and at December 31, 2020 and 2019, consist of the following:

| | <u>2020</u> | | <u>2019</u> | |
|----------------------------|---------------------|-----------|---------------------|-----------|
| Corporate stocks | \$ 3,067,764 | 86% | \$ 1,921,401 | 70% |
| Corporate/government bonds | 358,100 | 10% | 772,141 | 28% |
| Mutual funds | <u>125,112</u> | <u>4%</u> | <u>49,756</u> | <u>2%</u> |
| | \$ <u>3,550,976</u> | 100% | \$ <u>2,743,298</u> | 100% |

Financial accounting standards established 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).

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NOTE 5 – Investments and Fair Value Measurements (continued)

The three levels of the fair value of hierarchy are describe 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 significantly, unobservable inputs.

The asset or liability's fair valuation 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 are fair value measurements and 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, 2020 and 2019.

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NOTE 5 – Investments and Fair Value Measurements (continued)

Fair value of assets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

| December 31, 2020 | Fair Value Measurements Using | | | |
|----------------------------|--------------------------------------|---------------------|------------------|------------------|
| | Fair Value | (Level 1) | (Level 2) | (Level 3) |
| Corporate stocks | \$ 3,067,764 | \$ 3,067,764 | \$ - | \$ - |
| Corporate/government bonds | 358,100 | 358,100 | - | - |
| Mutual funds | <u>125,112</u> | <u>125,112</u> | - | - |
| Total | <u>\$ 3,550,976</u> | <u>\$ 3,550,976</u> | <u>\$ -</u> | <u>\$ -</u> |

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

NOTE 6 – Furniture and Equipment

Fixed assets consist of the following as of December 31:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|--------------------|--------------------|
| Depreciable fixed assets: | | |
| Land | \$ 231,573 | \$ 231,573 |
| Building | 1,086,070 | 1,047,606 |
| Office furniture and equipment | 290,501 | 253,047 |
| Software | 1,585 | 1,585 |
| Vehicles | <u>71,794</u> | <u>71,794</u> |
| | 1,681,523 | 1,605,605 |
| Accumulated depreciation | <u>(1,176,957)</u> | <u>(1,146,443)</u> |
| | <u>\$ 504,566</u> | <u>\$ 459,162</u> |

Depreciation charged against revenues amounted to \$34,121 and \$61,502 during the years ended December 31, 2020 and 2019, respectively.

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NOTE 7 – Notes Payable

On April 14, 2020, the Organization received proceeds of \$120,000 under a promissory note entered into between the Food Outreach, Inc. and Newtek Small Business Finance, LLC. pursuant to the PPP established under the CARES Act and administered by the SBA. Loan payments are deferred for the first six months after the date of the disbursement of the funds. After that, the loan and interest would be paid back over a period of 18 months, if the loan is not forgiven under the terms of the PPP. The loan bears interest at a fixed rate of 1% and may be prepaid at any time prior to the maturity date of April 14, 2022, without penalty. The loan contains customary provisions related to events of default, including, among others, failure to make payments, bankruptcy, breaches of representations, significant changes in ownership, and material adverse effects. The occurrence of an event of default may result in the collection of the borrowed amount plus accrued interest. The Organization's obligations are not secured by any collateral or personal guarantees.

NOTE 8 – Retirement 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 participants salaries and is determined annually by the Board of Directors. Plan expense was \$28,537 and \$27,293 for the years ended December 31, 2020 and 2019, respectively. Eligible employees may also participate in a 403(b)-plan established by the Organization.

NOTE 9 – Net Assets

Net assets consist of:

| | December 31, | |
|---|---------------------|---------------------|
| | 2020 | 2019 |
| Net Assets Without Donor Restrictions: | | |
| Undesignated | \$ 3,071,550 | \$ 1,994,130 |
| Investment in property and equipment | 504,566 | 459,162 |
| Designated – reserves | <u>1,300,000</u> | <u>1,300,000</u> |
| Total net assets without donor restrictions | 4,876,116 | 3,753,292 |
| Net Assets With Donor Restrictions: | | |
| Program and support | <u>10,000</u> | <u>39,000</u> |
| Total Net Assets | \$ <u>4,886,116</u> | \$ <u>3,792,292</u> |

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NOTE 10 – Contributed Goods and Services

The Organization recognized contribution revenue in 2020 and 2019 for contributed goods and services in the amount of \$105,934 and \$176,935, respectively. Contributed revenue for goods and services was measured based on the fair value of the goods and services provided.

NOTE 11 – Donated Services, Materials, and Facilities

Significant other contributions of goods and services have been made to the Organization by unpaid volunteers to assist in the ongoing activities and programs. The values of these contributions are not reflected in these financial statements due to it not being susceptible to objective measurement of valuation.

NOTE 12 – Liquidity and Availability of Financial Assets

The Organization intends to implement a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's primarily sources of support are contributions and grants. Most of the support is required to be used in accordance with the purpose restrictions imposed by the donor or funding agency.

As of December 31, 2020, and 2019, financial assets available for general expenditures within one year consist of the following:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|----------------------|
| Cash and cash equivalents | \$ 664,890 | \$ 458,014 |
| Grant receivables | 218,021 | 110,285 |
| Investments | <u>3,550,976</u> | <u>2,743,298</u> |
| Total financial assets | 4,433,887 | 3,311,597 |
| Less: | | |
| Board designated operating reserve and reserve | | |
| For building and equipment | (1,300,000) | (1,300,000) |
| Donor restricted due to purpose | <u>(10,000)</u> | <u>(39,000)</u> |
| Financial assets available to meet cash needs for | | |
| general expenditures within one year | \$ <u>3,123,887</u> | \$ <u>-1,972,597</u> |

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NOTE 13 – Commitments and Contingencies

Financial awards from governmental entities in the form of grants are subject to special oversights and audits. The results of such audits could result in the claims against the Organization for disallowed cost. No claims exist against the Organization at December 31, 2020 and 2019; therefore, no provisions have been made for any liabilities that may result from such audits.

NOTE 14 – Subsequent Events

The Organization's management has evaluated subsequent events through April 21, 2021, the date the financial statements were available for distribution. Management's evaluation did not disclose any items that would require reporting or disclosure in these financial statements.