



RANDLE & ASSOCIATES, LLC
Certified Public Accountants

FOOD OUTREACH, INC.

Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

FOOD OUTREACH, INC.
FINANCIAL STATEMENTS
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Food Outreach, Inc.

Opinion

We have audited the accompanying financial statements of Food Outreach, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years 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, 2021 and 2020, 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.

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 May 5, 2022, 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.

Rouale & Associates, LLC, CPAs

Florissant, Missouri

May 5, 2022

FOOD OUTREACH INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	December 31,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 656,784	\$ 664,890
Grants receivable	326,394	218,021
Accounts receivable	929	-
Prepaid expenses	38,792	47,825
Inventory	75,864	88,869
Total Current Assets	1,098,763	1,019,605
Investments, at fair value	4,231,949	3,550,976
Property and equipment, (net of accumulated depreciation of \$1,231,714 and \$1,176,957, for 2021 and 2020, respectively)	652,874	504,566
TOTAL ASSETS	5,983,586	5,076,147
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	80,695	31,735
Accrued compensated absences	9,958	8,759
Accrued pension	28,605	28,537
Total Current Liabilities	119,258	69,031
Notes payable	-	120,000
TOTAL LIABILITIES	119,258	189,031
NET ASSETS		
Without donor restrictions		
Undesignated - available for operations	3,564,725	3,071,550
Investment in property and equipment	652,874	504,566
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	5,517,599	4,876,116
With donor restrictions		
Purpose restrictions	346,729	10,000
Total with donor restrictions	346,729	10,000
TOTAL NET ASSETS	5,864,328	4,886,116
TOTAL LIABILITIES AND NET ASSETS	\$ 5,983,586	\$ 5,076,147

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, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Support						
Government grants	\$ 996,740	\$ -	\$ 996,740	\$ 1,209,577	\$ -	\$ 1,209,577
Individual contributions and tributes	376,682	-	376,682	329,281	15,300	344,581
Donation In-Kind	22,305	-	22,305	105,934	-	105,934
Religious contributions	4,166	-	4,166	6,547	-	6,547
Foundation contributions	217,810	467,964	685,774	578,500	-	578,500
Corporation contributions	125,652	-	125,652	81,785	-	81,785
Special events (net of direct cost of \$49,333 and \$23,078 for 2021 and 2020 respectively)	301,969	-	301,969	282,346	-	282,346
Appeals and solicitations	53,914	-	53,914	72,904	-	72,904
Investment earnings, net of fees	556,470	-	556,470	324,848	-	324,848
Miscellaneous	122,927	-	122,927	762	-	762
Total	2,778,635	467,964	3,246,599	2,992,484	15,300	3,007,784
Net assets released from restrictions	131,235	(131,235)	-	44,300	(44,300)	-
Total support and revenue	2,909,870	336,729	3,246,599	3,036,784	(29,000)	3,007,784
Expenses						
Program services	1,782,138	-	1,782,138	1,481,070	-	1,481,070
Supporting services:						
Administration	305,090	-	305,090	272,033	-	272,033
Fundraising	181,159	-	181,159	160,857	-	160,857
Total expenses	2,268,387	-	2,268,387	1,913,960	-	1,913,960
CHANGE IN NET ASSETS	641,483	336,729	978,212	1,122,824	(29,000)	1,093,824
Net Assets-Beginning of year	4,876,116	10,000	4,886,116	3,753,292	39,000	3,792,292
Net Assets-End of year	<u>\$ 5,517,599</u>	<u>\$ 346,729</u>	<u>\$ 5,864,328</u>	<u>\$ 4,876,116</u>	<u>\$ 10,000</u>	<u>\$ 4,886,116</u>

See auditor's report and accompanying notes to financial statements

**FOOD OUTREACH INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 978,212	\$ 1,093,824
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	54,757	34,121
PPP loan forgiveness	(120,000)	
Unrealized/realized loss/(gain) on investments	(452,618)	(185,489)
(Increase)/ Decrease in operating assets:		
Grants and accounts receivable	(109,302)	(107,736)
Prepaid expenses and deposits	9,033	(15,379)
Inventories	13,005	(47,453)
Increase/(Decrease) in operating liabilities:		
Accounts payable	48,960	13,726
Accrued compensated absences	1,199	1,732
Accrued pension	68	1,244
Total adjustments	(554,898)	(305,234)
CASH PROVIDED BY OPERATING ACTIVITIES	423,314	788,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(203,065)	(79,525)
Proceeds from sale investments	2,477,154	1,091,718
Purchase of investments	(2,705,509)	(1,713,907)
CASH USED FOR INVESTING ACTIVITIES	(431,420)	(701,714)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	-	120,000
CASH PROVIDED BY FINANCING ACTIVITIES	-	120,000
NET (DECREASE)/INCREASE IN CASH	(8,106)	206,876
CASH AT BEGINNING OF YEAR	664,890	458,014
CASH AT END OF YEAR	\$ 656,784	\$ 664,890

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

**FOOD OUTREACH INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	HIV/AIDS	Cancer	Total Program	Administrative	Fundraising	Total
Salaries	\$ 345,714	\$ 110,628	\$ 456,342	\$ 138,285	\$ 96,800	\$ 691,427
Employee benefits	78,392	25,085	103,477	31,357	21,950	156,784
Payroll taxes and other expenses	26,581	8,506	35,087	10,632	7,443	53,162
	450,687	144,219	594,906	180,274	126,193	901,373
Automobile and truck	9,623	1,063	10,686	-	-	10,686
Bank and credit card fees	-	-	-	13,563	-	13,563
Computer software expense	28,435	5,543	31,978	10,660	-	42,638
Depreciation	33,950	7,118	41,068	13,689	-	54,757
Dues and subscriptions	-	-	-	4,104	-	4,104
Food, nutritional supplements and consumables	683,205	120,354	803,559	-	-	803,559
In-kind:						
Food, nutritional supplements and consumables						
Insurance	22,185	-	22,185	-	-	22,185
Maintenance - building	31,031	6,507	37,538	12,513	-	50,051
Miscellaneous expenses	43,283	9,076	52,359	17,453	-	69,812
Occupancy	3,341	-	3,341	-	-	3,341
Office expenses	21,213	4,448	25,661	8,554	-	34,215
Printing and postage	13,814	2,829	16,643	5,548	-	22,191
Professional and legal fees	5,234	924	6,158	14,121	14,121	34,400
Community outreach and other developments	130,738	82	130,820	16,384	16,356	163,560
Telephone	-	-	-	-	24,489	24,489
Travel and meetings	4,328	908	5,236	1,746	-	6,982
	-	-	-	6,481	-	6,481
Total expense by function	\$ 1,479,067	\$ 303,071	\$ 1,782,138	\$ 305,090	\$ 181,159	\$ 2,268,387

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
	394,871	69,682	464,553	193,564	116,138	774,255
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
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
Total expense by function	1,263,945	217,125	1,481,070	272,033	160,857	1,913,960

See auditor's report and accompanying notes to financial statements

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2021 and 2020

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, 2021 and 2020

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.

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. The Organization maintains cash balances at various domestic financial institutions which at times may exceed the federally insured limits. 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 revenue with or without 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, 2021 and 2020

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 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, 2021 and 2020, 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, 2021 and 2020

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 501(c)(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 was no unrelated business income for 2021 or 2020; 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, 2018 through 2021 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, 2021 and 2020

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reclassification

Certain 2020 amounts have been reclassified in order to conform to the 2021 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 legal form of the PPP loan is recorded as debt under Accounting Standards Codification (ASC 470), regardless of whether the Organization expects the loan to be forgiven.

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.

New Accounting Standards Implemented

The Financial Accounting Standards Board issued Accounting Standards Update *ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is applicable for the Organization's fiscal year 2022, but the organization has elected to early adopt. The new standards require that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2021 and 2020

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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.

The Organization is currently evaluating the effect that this pronouncement will have on its 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 31% and 47% of its operating budget in 2021 and 2020, 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.

NOTE 4 – Grants Receivable

Grants receivable at December 31, 2021 and 2020 consisted of the followings:

	<u>2021</u>	<u>2020</u>
Ryan White Food Program	\$ 165,888	\$ 94,035
CDBG	21,026	12,370
Dept. of Treasury - CARES	-	74,237
FEMA	12,800	12,800
St. Louis Area Agency on Aging	44,680	24,579
Other-non-governmental	<u>82,000</u>	<u>-</u>
	<u>\$ 326,394</u>	<u>\$ 218,021</u>
Amounts due in:		
Less than one year	<u>\$ 326,394</u>	<u>\$ 218,021</u>

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

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2021 and 2020

NOTE 5 – Investments and Fair Value Measurements

Investments are stated at fair value and at December 31, 2021 and 2020, consist of the following:

	<u>2021</u>		<u>2020</u>	
Corporate stocks	\$ 3,578,159	86%	\$ 3,067,764	86%
Corporate/government bonds	653,790	14%	358,100	10%
Mutual funds	<u>-</u>	<u>0%</u>	<u>125,112</u>	<u>4%</u>
	\$ <u>4,231,949</u>	100%	\$ <u>3,550,976</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).

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.

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2021 and 2020

NOTE 5 – Investments and Fair Value Measurements (continued)

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, 2021 and 2020.

Fair value of assets measured on a recurring basis at December 31, 2021 and 2020 are as follows:

December 31, 2021	<u>Fair Value Measurements Using</u>			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Corporate stocks	\$ 3,578,159	\$ 3,578,159	\$ -	\$ -
Corporate/government bonds	653,790	653,790	-	-
Mutual funds	-	-	-	-
Total	<u>\$ 4,231,949</u>	<u>\$ 4,231,949</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020	<u>Fair Value Measurements Using</u>			
	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>

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2021 and 2020

NOTE 6 – Property and Equipment

Fixed assets consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Depreciable fixed assets:		
Land	\$ 231,573	\$ 231,573
Building	1,176,204	1,086,070
Office furniture and equipment	339,685	290,501
Software	1,585	1,585
Vehicles	<u>135,541</u>	<u>71,794</u>
	1,884,588	1,681,523
Accumulated depreciation	<u>(1,231,714)</u>	<u>(1,176,957)</u>
	<u>\$ 652,874</u>	<u>\$ 504,566</u>

Depreciation charged against revenues amounted to \$54,757 and \$34,121 during the years ended December 31, 2021 and 2020, respectively.

NOTE 7 – Paycheck Protection Program Term Note

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 at 1% would be paid back over a period of 18 months, if the loan is not forgiven under the terms of the PPP. As of December 31, 2021, The Organization spent PPP funds on eligible expenses based on regulations such that the loan would be forgiven in full. On July 15, 2021, the Organization received notifications the Small Business Administration the full amounts of the loans had been forgiven. As such, the Organization converted \$121,532 to grant income for the year ending December 31, 2021.

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 \$28,605 and \$28,537 for the years ended December 31, 2021 and 2020, respectively. Eligible employees may also participate in a 403(b)-plan established by the Organization.

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2021 and 2020

NOTE 9 – Net Assets

Net assets consist of:

	December 31,	
	2021	2020
Net Assets Without Donor Restrictions:		
Undesignated	\$ 3,564,725	\$ 3,071,550
Investment in property and equipment	652,874	504,566
Designated – reserves	<u>1,300,000</u>	<u>1,300,000</u>
Total net assets without donor restrictions	5,517,599	4,876,116
Net Assets With Donor Restrictions:		
Program and support	<u>346,729</u>	<u>10,000</u>
Total Net Assets	\$ <u>5,864,328</u>	\$ <u>4,886,116</u>

NOTE 10 – Contributed Goods and Services

The values of noncash donations included in contributions in the financial statements and the corresponding expenses are as follows:

	For the year ending December 31,	
	2021	2020
Contributed goods and services – in-kind	\$ 22,305	\$ 105,934
Professional services	\$ 120	\$ -
Donated food and other	<u>22,185</u>	<u>105,934</u>
Total	\$ <u>22,305</u>	\$ <u>105,934</u>

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.

FOOD OUTREACH, INC.
Financial Statement Notes
December 31, 2021 and 2020

NOTE 12 – Liquidity and Availability of Financial Assets (continued)

As of December 31, 2021, and 2020, financial assets available for general expenditures within one year consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 656,784	\$ 664,890
Grant and accounts receivables	327,323	218,021
Investments	<u>4,231,949</u>	<u>3,550,976</u>
Total financial assets	5,216,056	4,433,887
 Less:		
Board designated operating reserve and reserve for building and equipment	(1,300,000)	(1,300,000)
Donor restricted due to purpose	<u>(346,729)</u>	<u>(10,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,569,327</u>	<u>\$ 3,123,887</u>

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, 2021 and 2020; 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 May 5, 2022, 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.

COMPLIANCE REPORT



RANDLE & ASSOCIATES, LLC, CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Food Outreach, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Outreach, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Food Outreach Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Outreach, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Outreach, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food Outreach, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Randall & Associates, LLC, CPAs

Florissant, Missouri
May 5, 2022



RANDLE & ASSOCIATES, LLC, CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Directors of
Food Outreach, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Food Outreach, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Food Outreach, Inc.'s major federal programs for the year ended December 31, 2021. Food Outreach, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Food Outreach, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Food Outreach, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Food Outreach, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Food Outreach, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Food Outreach, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Food Outreach, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Food Outreach, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Food Outreach, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Food Outreach, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rendell & Associates, LLC, CPAs

Florissant, Missouri
May 5, 2022

FOOD OUTREACH, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Passed through to Sub recipients	Type	Major Program
Department of Health and Human Services/ Pass-through City of St. Louis Department of Health / HIV Emergency Relief Program Ryan White - MO	93.914	2 89HA000332800; 6 89HA000332801	\$ 517,953	-		
Pass-through St. Clair County Health Department / HIV Emergency Relief Program Ryan White - IL	93.914	2 89HA000332700; 89HA000332801	<u>130,562</u> 648,515	-	B	X
Total HIV Emergency Relief Program						
Department of Health and Human Services/ Pass-through City of St. Louis Area Agency on Aging/ Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	8242205 8100905	<u>128,406</u>	-	B	
Total Department of Health and Human Services			776,921	-		
Department of Housing and Urban Development/ Pass-through City of St. Louis/ Community Development Block Grant	14.218	21-12-81	<u>108,656</u> 108,656	-	B	
Total Department of Housing and Urban Development						
United States Department of the Treasury/ Pass-through St. Louis County/Coronavirus Relief Fund	21.019	N/A	<u>33,060</u> 33,060	-	B	
Total United States Department of the Treasury						
Total Expenditures of Federal Awards			<u>\$ 918,637</u>	-		

FOOD OUTREACH, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Basis of Presentation

The accompanying schedule of federal awards (the "Schedule") includes the federal grant activity of Food Outreach, Inc. under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Food Outreach, has elected to use the 10% *de minimis* cost rate allocation.

FOOD OUTREACH, INC.
 Schedule of Findings and Questioned Cost
 December 31, 2021

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- 1. Types of auditor's report issued. Unmodified
- 2. Internal control over financial reporting:
 - a. Material weakness identified? NO
 - b. Significant deficiency identified? NO
- 3. Noncompliance material to the financial statements noted? NO

Federal Awards:

- 4. Internal control over major programs:
 - a. Material weakness identified? NO
 - b. Significant deficiency identified? NO
- 5. Type of auditor's report issued on compliance for major programs. Unmodified
- 6. Audit findings disclosed that are required to be reported in accordance with Uniform Guidance? NO
- 7. For the year ended December 31, 2021, Food Outreach, Inc. had the following major program:

CFDA Number	Name of Federal Program or Cluster
93.914	HIV Emergency Relief Program

- 8. The dollar threshold used to distinguish between Type A and B programs: \$750,000.
- 9. Food Outreach, Inc. qualified as a low-risk auditee? YES

FOOD OUTREACH, INC.
Schedule of Findings and Questioned Cost (Continued)
December 31, 2021

**PART II: FINANCIAL STATEMENTS FINDINGS REQUIRED TO BE
REPORTED UNDER GOVERNMENT AUDITING STANDARDS**

NONE

PART III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

FOOD OUTREACH, INC.
Status of Prior Years Findings
December 31, 2021

No prior year findings