

FEED MY PEOPLE
FINANCIAL STATEMENTS
DECEMBER 31, 2018 and 2017

FEED MY PEOPLE
DECEMBER 31, 2018 AND 2017

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Feed My People

We have audited the accompanying financial statements of Feed My People, a Missouri non-for-profit corporation, which comprise the statements of financial position, as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feed My People as of December 31, 2018 and 2017, 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 .

Martz + Wilson, LLP

MARTZ & WILSON, LLP
Certified Public Accountants

July 18, 2018

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STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

Assets

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 172,340 | \$ 105,182 |
| Certificates of deposit | - | 42,884 |
| Grants receivable | 20,000 | 27,000 |
| Donations receivable | 25,997 | 65,468 |
| Dividends receivable | 42 | 123 |
| Food inventory | 24,528 | 12,831 |
| Prepaid expenses | 6,138 | 13,430 |
| Total Current Assets | 249,045 | 266,918 |
| | | |
| Investments | 527,353 | 640,192 |
| | | |
| Property, Equipment, and Leasehold | | |
| Improvements, net of accumulated depreciation | 1,489,181 | 1,538,187 |
| Total Assets | <u>\$ 2,265,579</u> | <u>\$ 2,445,297</u> |

Liabilities and Net Assets

| | | |
|---|----------------------------|----------------------------|
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 15,907 | \$ 15,335 |
| Deferred revenue | 3,500 | 6,000 |
| Total Current Liabilities | 19,407 | 21,335 |
| | | |
| Net Assets | | |
| Without donor restrictions | | |
| Unrestricted | 1,683,845 | 1,654,151 |
| Board designated | 534,994 | 641,328 |
| | 2,218,839 | 2,295,479 |
| With donor restrictions | 27,333 | 128,483 |
| Total Net Assets | 2,246,172 | 2,423,962 |
| Total Liabilities and Net Assets | <u>\$ 2,265,579</u> | <u>\$ 2,445,297</u> |

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**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Without Restrictions | With Restrictions | Total |
|---|-------------------------|----------------------|---------------------|
| Revenue and Support | | | |
| Public support | | | |
| Contributions | \$ 508,626 | \$ - | \$ 508,626 |
| Donated food, materials, and services | 4,543,335 | - | 4,543,335 |
| Special events (net of direct costs of \$22,473 in 2018) | 71,368 | - | 71,368 |
| Grant income | 106,650 | 59,250 | 165,900 |
| Bequest income | 73,051 | - | 73,051 |
| Revenues | | | |
| Apartment management | - | - | - |
| Thrift store sales | 214,660 | - | 214,660 |
| Investment income | 31,779 | - | 31,779 |
| Gain (Loss) on investments | (62,738) | - | (62,738) |
| Release from restrictions | 5,486,731 | 59,250 | 5,545,981 |
| | 160,400 | (160,400) | - |
| Total Revenue and Support | 5,647,131 | (101,150) | 5,545,981 |
| Expenses | | | |
| Program services | 5,362,228 | - | 5,362,228 |
| Administration | 277,623 | - | 277,623 |
| Fundraising | 83,920 | - | 83,920 |
| Total Expenses | 5,723,771 | - | 5,723,771 |
| Changes in net assets | (76,640) | (101,150) | (177,790) |
| Net Assets, Beginning of Year | 2,295,479 | 128,483 | 2,423,962 |
| Net Assets, End of Year | \$ 2,218,839 | \$ 27,333 | \$ 2,246,172 |

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**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017 (CONTINUED)**

| | Without Restrictions | With Restrictions | Total |
|---|-------------------------|----------------------|---------------------|
| Revenue and Support | | | |
| Public support | | | |
| Contributions | \$ 540,406 | \$ - | \$ 540,406 |
| Donated food, materials, and services | 4,467,312 | - | 4,467,312 |
| Special events (net of direct costs of \$24,369 in 2017) | 78,797 | - | 78,797 |
| Grant income | 50,750 | 151,650 | 202,400 |
| Bequest income | 11,151 | - | 11,151 |
| Revenues | | | |
| Apartment management | 156,937 | - | 156,937 |
| Thrift store sales | 196,854 | - | 196,854 |
| Investment income | 22,457 | - | 22,457 |
| Gain on investments | 19,041 | - | 19,041 |
| Release from restrictions | 5,543,705 | 151,650 | 5,695,355 |
| | 82,763 | (82,763) | - |
| Total Revenue and Support | 5,626,468 | 68,887 | 5,695,355 |
| Expenses | | | |
| Program services | 5,372,517 | - | 5,372,517 |
| Administration | 302,638 | - | 302,638 |
| Fundraising | 89,829 | - | 89,829 |
| Total Expenses | 5,764,984 | - | 5,764,984 |
| Changes in net assets | (138,516) | 68,887 | (69,629) |
| Net Assets, Beginning of Year | 2,433,995 | 59,596 | 2,493,591 |
| Net Assets, End of Year | \$ 2,295,479 | \$ 128,483 | \$ 2,423,962 |

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STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

| | Program | | | Total |
|---------------------------------------|---------------------|-------------------|------------------|---------------------|
| | Services | Administration | Fundraising | |
| Program Expenses | | | | |
| Purchased food and materials | \$ 11,664 | \$ - | \$ - | \$ 11,664 |
| Donated food and materials | 4,524,789 | - | - | 4,524,789 |
| Fans and heaters | 796 | - | - | 796 |
| Childrens underwear | 5,250 | - | - | 5,250 |
| Shoes | 1,080 | - | - | 1,080 |
| Specific assistance | 5 | - | - | 5 |
| Thrift store expenses | 3,268 | - | - | 3,268 |
| Client services | 3,956 | - | - | 3,956 |
| Other program expenses | 3,659 | - | - | 3,659 |
| Total Program Expenses | 4,554,467 | - | - | 4,554,467 |
| Payroll Expenses | | | | |
| Salaries | 441,622 | 164,784 | 52,731 | 659,137 |
| Employee benefits | 68,865 | 25,696 | 8,223 | 102,784 |
| Payroll taxes | 35,174 | 13,125 | 4,200 | 52,499 |
| Pension | 10,667 | 3,980 | 1,274 | 15,921 |
| Total Payroll Expenses | 556,328 | 207,585 | 66,428 | 830,341 |
| Occupancy Expenses | | | | |
| Repairs and maintenance | 25,628 | 6,070 | 2,023 | 33,721 |
| Insurance | 35,920 | 8,507 | 2,836 | 47,263 |
| Depreciation | 64,912 | 15,374 | 5,125 | 85,411 |
| Security | 1,152 | 273 | 91 | 1,516 |
| Other occupancy | 40,856 | 9,677 | 3,226 | 53,759 |
| Total Occupancy Expenses | 168,468 | 39,901 | 13,301 | 221,670 |
| Other Operating Expenses | | | | |
| Printing and publication | 17,120 | 4,565 | 1,141 | 22,826 |
| Postage and shipping | 2,574 | 686 | 172 | 3,432 |
| Advertising | 10,586 | - | 1,176 | 11,762 |
| Vehicle expense | 17,380 | - | - | 17,380 |
| Office expense | 9,155 | 2,441 | 610 | 12,206 |
| Planned giving | 9,705 | 2,588 | 647 | 12,940 |
| Volunteer development | 1,928 | - | - | 1,928 |
| Telephone | 4,657 | 1,242 | 310 | 6,209 |
| Conferences and meetings | 1,351 | 1,215 | 135 | 2,701 |
| Professional fees | - | 11,441 | - | 11,441 |
| Taxes and licenses | - | 392 | - | 392 |
| Miscellaneous | 1,113 | 1,112 | - | 2,225 |
| Computer expense | 7,396 | 2,465 | - | 9,861 |
| Dues and subscriptions | - | 1,990 | - | 1,990 |
| Meal a month bags | - | - | - | - |
| Total Other Operating Expenses | 82,965 | 30,137 | 4,191 | 117,293 |
| Total Functional Expenses | \$ 5,362,228 | \$ 277,623 | \$ 83,920 | \$ 5,723,771 |

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STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended December 31, 2017

| | Program Services | Administration | Fundraising | Total |
|---------------------------------------|---------------------|-------------------|------------------|---------------------|
| Program Expenses | | | | |
| Purchased food and materials | \$ 9,562 | \$ - | \$ - | \$ 9,562 |
| Donated food and materials | 4,488,462 | - | - | 4,488,462 |
| Fans and heaters | 1,006 | - | - | 1,006 |
| Childrens underwear | 5,250 | - | - | 5,250 |
| Shoes | 945 | - | - | 945 |
| Specific assistance | 52 | - | - | 52 |
| Thrift store expenses | 1,985 | - | - | 1,985 |
| Client services | 3,386 | - | - | 3,386 |
| Other program expenses | 3,699 | - | - | 3,699 |
| Total Program Expenses | 4,514,347 | - | - | 4,514,347 |
| Payroll Expenses | | | | |
| Salaries | 485,564 | 181,180 | 57,977 | 724,721 |
| Employee benefits | 69,121 | 25,792 | 8,253 | 103,166 |
| Payroll taxes | 38,380 | 14,321 | 4,583 | 57,284 |
| Pension | 9,412 | 3,512 | 1,124 | 14,048 |
| Total Payroll Expenses | 602,477 | 224,805 | 71,937 | 899,219 |
| Occupancy Expenses | | | | |
| Repairs and maintenance | 23,659 | 5,603 | 1,868 | 31,130 |
| Insurance | 36,108 | 8,552 | 2,851 | 47,511 |
| Depreciation | 62,465 | 14,794 | 4,932 | 82,191 |
| Security | 2,491 | 590 | 197 | 3,278 |
| Other occupancy | 43,097 | 10,207 | 3,402 | 56,706 |
| Total Occupancy Expenses | 167,820 | 39,746 | 13,250 | 220,816 |
| Other Operating Expenses | | | | |
| Printing and publication | 19,502 | 5,201 | 1,300 | 26,003 |
| Postage and shipping | 3,441 | 918 | 229 | 4,588 |
| Advertising | 10,611 | - | 1,179 | 11,790 |
| Vehicle expense | 13,091 | - | - | 13,091 |
| Office expense | 13,116 | 3,498 | 874 | 17,488 |
| Planned giving | 10,312 | 2,750 | 687 | 13,749 |
| Volunteer development | 2,001 | - | - | 2,001 |
| Telephone | 4,238 | 1,131 | 283 | 5,652 |
| Conferences and meetings | 899 | 809 | 90 | 1,798 |
| Professional fees | - | 16,519 | - | 16,519 |
| Taxes and licenses | - | 629 | - | 629 |
| Miscellaneous | 2,422 | 2,422 | - | 4,844 |
| Computer expense | 8,240 | 2,746 | - | 10,986 |
| Dues and subscriptions | - | 1,464 | - | 1,464 |
| Total Other Operating Expenses | 87,873 | 38,087 | 4,642 | 130,602 |
| Total Functional Expenses | \$ 5,372,517 | \$ 302,638 | \$ 89,829 | \$ 5,764,984 |

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED

DECEMBER 31,

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Operating Activities | | |
| Change in net assets | \$ (177,790) | \$ (69,629) |
| Adjustments to reconcile change in net assets to net Cash provided by operating activities | | |
| Depreciation | 85,411 | 82,191 |
| (Gain) Loss on investments | 62,738 | (19,041) |
| In-kind contribution of stock | (18,708) | (21,245) |
| In-kind contribution of land | (1,600) | - |
| Decrease (increase) in donations receivable | 39,471 | (13,473) |
| Decrease (increase) in dividends receivable | 81 | 455 |
| Decrease (increase) prepaid expenses | 7,292 | 5,584 |
| Decrease (increase) in grants receivable | 7,000 | (27,000) |
| Decrease (increase) certificates of deposits | 42,884 | (150) |
| Increase (decrease) in current liabilities | (1,928) | (37,207) |
| Decrease (increase) in TEFAP food inventory | (11,697) | 26,020 |
| Net Cash Provided (Used) by Operating Activities | 33,154 | (73,495) |
| Investing Activities | | |
| Transfer from board designated investments | 20,000 | 170,000 |
| Investment income reinvested | (8,260) | (8,950) |
| Proceeds from sale of investments | 57,069 | 186,726 |
| Purchase of investments | - | (228,065) |
| Purchase of property and equipment | (41,505) | (16,945) |
| Proceeds from land sale | 6,700 | - |
| Net Cash Provided by Investing Activities | 34,004 | 102,766 |
| Net Increase in Cash and Cash Equivalents | 67,158 | 29,271 |
| Cash and Cash Equivalents, Beginning of Year | 105,182 | 75,911 |
| Cash and Cash Equivalents, End of Year | \$ 172,340 | \$ 105,182 |

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION

Feed My People was founded in 1982 to meet the spiritual, material, and emotional needs of the poor in South St. Louis County and Northwestern Jefferson County, Missouri. Feed My People is a Missouri not-for-profit corporation and exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Donations to the Organization qualify for the charitable contribution deduction under Section 170(b)(1)(A) and the Organization is not a private foundation.

In 2012, the Organization formed the Feed My People Foundation, a 509(a)(3) supporting organization. The foundation was formed to raise sufficient funds to support and promote the Organization's mission.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Feed My People is presented to assist in understanding the financial statements. The financial statements and notes are representations of the organization's management and board of directors, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the presentation of the financial statements.

New Accounting Pronouncements

The Organization adopted ASU No. 2016-14 *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, which changes presentation of the Statements of Financial Position, Statements of Activities and Changes in Net Assets, and Statements of Functional Expenses.

Basis of Presentation

Contributions received are recorded as an increase in support with or without donor restrictions, depending on the existence or nature of any donor restrictions. Contributions restricted for capital items are recorded as an increase in support with donor restrictions until the capital expenditures are made.

Without Donor Restrictions – Net assets that are not subject to donor imposed restrictions. The board designates certain net assets for specific purposes which prohibits the use of the assets by management's decision. Board designated net assets are net assets without donor restrictions that are subject to self-imposed limits by action of the governing board. ASU No. 2016-14 requires that not-for-profits disclose information about the amounts and purposes of board-designated net assets either on the face of the statement of financial position or in the notes.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

With Donor Restrictions – Net assets that are subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time.

Contributions with donor restrictions whose restrictions are met in the same reporting period are recorded as without donor restriction. Interest earned on the temporary investment of such support is without donor restriction.

Revenue and Expense Recognition

Substantially all of the Organization's revenues result from contributions, bequests, and special grants, which are recognized when received and are recorded as with restrictions or without restrictions depending on the existence and nature of any donor restrictions.

The Organization has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Donated materials and services are valued at fair market value at the time of receipt. The value of donated materials amounted to \$4,543,335 and \$4,467,312 for 2018 and 2017, respectively. In addition, volunteers provide assistance in the program support and fund-raising activities of the organization. These services did not meet the criteria for recognition, but the organization believes that the fair market value of the volunteer services amounted to \$782,675 and \$759,678, for 2018 and 2017, respectively.

Expenses are recognized under the accrual basis of accounting.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services, administration and fundraising services.

The financial statements report certain categories of expenses that are attributable to program services, administration and fundraising services of the Organization. Those expenses include program, payroll, occupancy and other operating expenses. Payroll expenses are allocated based on the time of where efforts are made. Direct program expenses are allocated solely to program services. Occupancy expenses are allocated based on a square footage basis. All remaining costs are allocated based on purpose of expenditures.

Certificates of Deposit

Certificates of deposit are carried at market value, or cost which approximates market value. All accounts are held in financial institutions covered by the Federal Deposit Insurance Corporation. Certificates of deposit totaled \$0 and \$42,884 at December 31, 2018 and 2017, respectively.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Leasehold Improvements

Property, equipment, and leasehold improvements are stated at cost when purchased and at fair market value when donated. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 39 years. Total costs are summarized as follows:

| | <u>2018</u> | <u>2017</u> |
|--------------------------|----------------------------|----------------------------|
| Furniture and equipment | \$ 183,951 | \$ 187,960 |
| Vehicles | 183,813 | 183,813 |
| Building improvements | 443,466 | 443,466 |
| Building | 1,560,217 | 1,527,857 |
| Land | 268,600 | 273,700 |
| | <u>2,640,047</u> | <u>2,616,796</u> |
| Accumulated depreciation | 1,150,866 | 1,078,609 |
| | <u><u>\$ 1,489,181</u></u> | <u><u>\$ 1,538,187</u></u> |

Depreciation expense was \$85,411 and \$82,191 for 2018 and 2017, respectively.

Concentrations

The Organization received shipments of donated food from the St. Louis Area Food Bank and the Emergency Food Assistance Program of the USDA. Shipments from the Food Bank were \$3,398,960 and \$3,077,188 for 2018 and 2017, respectively. These shipments accounted for 61% and 54% of its public support and revenues for 2018 and 2017, respectively. Shipments from the USDA program included in the Food Bank shipments were \$351,972 and \$364,137 for 2018 and 2017, respectively. A significant support decrease by the St. Louis Area Food Bank could have a material adverse effect on the Organization.

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.

Advertising Cost

The Organization expenses all advertising costs. Advertising expense was \$11,762 and \$11,790 for 2018 and 2017, respectively.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated subsequent events through July 18, 2019, the date which the financial statements were issued.

Receivables

Receivables consist of amounts due from grantor agencies and other public support. Based on history of collection, management considers all receivables to be collectible and no allowance for uncollectible receivables has been established.

Inventory

Under U.S. Department of Agriculture (USDA) regulations, the Organization maintains an inventory of food donated, but not yet distributed. The inventory is valued at the USDA prescribed value of \$1.57 and 1.52 per pound at December 31, 2018 and 2017, respectively. Total inventory at December 31, 2018 and 2017 was \$24,528 and \$12,831, respectively.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash includes all currency on hand and checking and savings accounts. The organization considers, as cash equivalents, all highly liquid investments with a maturity at the date of purchase of three month or less.

Cash and cash equivalents appearing in the financial statements consist of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------|-------------------|-------------------|
| Cash | \$ 164,699 | \$ 104,046 |
| Money Market | 7,641 | 1,136 |
| | <u>\$ 172,340</u> | <u>\$ 105,182</u> |

The organization maintains bank accounts at two financial institutions, including a money market account. Accounts at each financial institution are secured by Federal Deposit Insurance Corporation up to \$250,000. Daily balances in these accounts may exceed with limit.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions as of December 31, 2018 and 2017 are available for the following purposes.

| | <u>2018</u> | <u>2017</u> |
|---|------------------|-------------------|
| Subject to purpose restrictions: | | |
| Building renovations | \$ - | \$ 57,650 |
| Programs | - | 34,833 |
| Staff | 27,333 | 36,000 |
| | <u>27,333</u> | <u>36,000</u> |
| Total net assets with donor restrictions: | <u>\$ 27,333</u> | <u>\$ 128,483</u> |

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Since December 31, 2004, all current and future investments have been designated by the Board of Directors to be used for contingencies. Use of these amounts are subject to Board approval. In 2018 and 2017, the Board approved the transfer of \$20,000 and \$170,000, respectively to support operations. Fair value and cost of these investments as of December 31, 2018 and 2017 are as follows:

| <u>Fair Value</u> | <u>2018</u> | <u>2017</u> |
|--------------------------------|--------------------------|--------------------------|
| Thrivent Investment Management | \$ 110,894 | \$ 139,417 |
| US Bancorp Securities | 424,100 | 501,911 |
| | <u>534,994</u> | <u>641,328</u> |
| Less Money Market Accounts | 7,641 | 1,136 |
| Investments | <u>\$ 527,353</u> | <u>\$ 640,192</u> |
| | | |
| <u>Cost</u> | <u>2018</u> | <u>2017</u> |
| Thrivent Investment Management | \$ 134,525 | \$ 146,700 |
| US Bancorp Securities | 473,690 | 505,365 |
| | <u>608,215</u> | <u>652,065</u> |
| Less Money Market Accounts | 7,641 | 1,136 |
| Investments | <u>\$ 600,574</u> | <u>\$ 650,929</u> |

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to the methodologies used at December 31, 2018 and 2017.

Individual stocks: Valued at unadjusted quoted prices for identical stock traded in active markets.

Mutual funds: Valued at the net asset value (NAV) of shares held by the plan at year end. Depending on the underlying investment, the NAV may be based on quoted prices of identical assets or quoted prices for similar assets in inactive markets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018 and 2017:

| | 2018 | | | |
|-------------------|------------------|-------------------|----------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Individual stocks | \$ 998 | \$ - | \$ - | \$ 998 |
| Mutual funds | 47,819 | 478,536 | - | 526,355 |
| | <u>\$ 48,817</u> | <u>\$ 478,536</u> | <u>\$ -</u> | <u>\$ 527,353</u> |

| | 2017 | | | |
|-------------------|-------------------|-------------------|----------------|-------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Individual stocks | \$ 5,323 | \$ - | \$ - | \$ 5,323 |
| Mutual funds | 105,583 | 529,286 | - | 634,869 |
| | <u>\$ 110,906</u> | <u>\$ 529,286</u> | <u>\$ -</u> | <u>\$ 640,192</u> |

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 6 – EMPLOYEES' RETIREMENT PLAN

The Organization has a Simple IRA retirement plan for all eligible employees. The Organization made contributions of \$15,921 and \$14,048 for the years ended December 31, 2018 and 2017, respectively. The Organization matches 100% of the employee contribution to a maximum of 3% of the employee earnings.

NOTE 7 – PARKSIDE AFFORDABLE HOUSING I, LP

The Partnership was sold on December 15, 2017. Feed My People received \$156,937 from the sale. This money was comprised of \$8,000 for legal and accounting fees, \$25,367 of accrued interest, and \$123,570 due to Feed My People's ownership percentage in the partnership's sale.

The Organization was one of three general partners in the Parkside Affordable Housing I, LP, also known as Hillside II Apartments. The Partnership owned 48 multi-family apartment units that qualify under IRC Section 42 for low-income housing tax credits. The project is regulated by the US Department of Housing and Urban Development.

Under the terms of the partnership agreement, the limited partners are allocated 99.995% of the income or loss from day-to-day operations and 59.886% of any gain or loss from the sale of the property. The Organization, as a general partner, received .005% of income or loss from day-to-day operations and 40.114% of any gain or loss from the sale of the property.

Because of federal restrictions in distributing surplus cash, the Organization accounts for the Partnership activity on the cash basis. At December 31, 2017 the deficit in the capital account of the Organization was \$0. The Organization was owed accrued interest of \$0 for 2017.

The allocation of the loss was \$0 for 2017.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 8 – LIQUIDITY AND AVAILABILITY

The Organization is primarily funded by public support and noncash contributions by the St. Louis Area Food Bank. As part of its liquidity management, the Organization structures its financial assets to be available as general expenditures, liabilities, and other obligations become due.

The below reflects the Organization's financial assets as of the statement of financial position date, reduced by the amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. The grants receivable are subject to implied time restrictions but are expected to be collected within one year. The Organization sets a goal of having minimum financial assets on hand of 5% of total net assets to meet normal operating expenses is equal to three months average operating costs.

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|--------------------------|
| Financial assets, at year end | \$ 218,379 | \$ 244,198 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Restricted by donor with time or purpose restrictions | (27,333) | (128,483) |
| Board designations: | | |
| Money market funds | (7,641) | (1,136) |
| Financial assets available to meet cash need for general expenditures within one year. | <u><u>\$ 183,405</u></u> | <u><u>\$ 114,579</u></u> |

NOTE 9 – RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's comparative information to conform to the presentation of the current year's financial statements. The reclassifications have no impact on the net assets for the prior year of the Organization.