



FOOD FOR THE POOR, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2016

FOOD FOR THE POOR, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Audit Committee
Food for the Poor, Inc.
Coconut Creek, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Food for the Poor, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. 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 auditors' 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 Food for the Poor, Inc. as of December 31, 2016, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Food for the Poor, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017 on our consideration of the Organization'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 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 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 the Organization's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

Boca Raton, Florida
March 31, 2017

FOOD FOR THE POOR, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2016
(With Comparative Totals as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 17,603,611	\$ 10,938,012
Promises to give, net	1,251,961	842,548
Other receivable	15,000	72,000
Goods pending distribution	8,513,754	267,318
Prepaid expenses	648,866	575,185
Other assets	366,259	107,161
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	28,399,451	12,802,224
 PROPERTY, BUILDING AND EQUIPMENT, at cost, less accumulated depreciation		
	<hr/>	<hr/>
	15,233,211	15,366,995
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 43,632,662</u>	<u>\$ 28,169,219</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 5,719,002</u>	<u>\$ 4,850,115</u>
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	5,719,002	4,850,115
 NET ASSETS		
Unrestricted:		
Designated for special projects	8,987,024	8,905,108
Undesignated	27,470,494	13,536,699
	<hr/>	<hr/>
Total unrestricted	36,457,518	22,441,807
Temporarily restricted	1,456,142	877,297
	<hr/>	<hr/>
TOTAL NET ASSETS	37,913,660	23,319,104
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,632,662</u>	<u>\$ 28,169,219</u>

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
SUPPORT AND REVENUE				
Contributions:				
Cash	\$ 137,955,879	\$ 164,077	\$ 138,119,956	\$ 123,159,802
Donated goods	853,735,985	-	853,735,985	1,033,332,213
Promises to give	1,500,265	1,449,429	2,949,694	2,229,785
Investment earnings	19,950	-	19,950	18,904
Other income	97,576	-	97,576	127,459
Net assets released from restrictions	1,034,661	(1,034,661)	-	-
TOTAL SUPPORT AND REVENUE	994,344,316	578,845	994,923,161	1,158,868,163
EXPENSES				
Program services:				
Educational programs	4,411,674	-	4,411,674	4,717,936
Goods and aid supplied	932,433,641	-	932,433,641	1,112,311,143
Total program services	936,845,315	-	936,845,315	1,117,029,079
Supporting services:				
Fundraising	35,331,871	-	35,331,871	33,985,033
Management and general	8,151,419	-	8,151,419	8,034,135
Total supporting services	43,483,290	-	43,483,290	42,019,168
TOTAL EXPENSES	980,328,605	-	980,328,605	1,159,048,247
CHANGE IN NET ASSETS	14,015,711	578,845	14,594,556	(180,084)
NET ASSETS - Beginning	22,441,807	877,297	23,319,104	23,499,188
NET ASSETS - Ending	\$ 36,457,518	\$ 1,456,142	\$ 37,913,660	\$ 23,319,104

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Program Services			Supporting Services			Totals	
	Educational Programs	Goods and Aid Supplied	Total	Fundraising Expenses	Management and General Expenses	Total	2016	2015
Food, medical and other commodities	\$ -	\$ 865,496,946	\$ 865,496,946	\$ -	\$ -	\$ -	\$ 865,496,946	\$ 1,050,463,592
Grants and other assistance	-	40,802,763	40,802,763	-	-	-	40,802,763	35,562,459
Salaries and related expenses	3,044,758	4,658,654	7,703,412	11,371,321	5,242,582	16,613,903	24,317,315	24,433,134
Freight	-	20,415,599	20,415,599	-	-	-	20,415,599	20,737,263
Printed materials and publicity	63,752	47,931	111,683	14,032,519	31,253	14,063,772	14,175,455	13,379,668
Postage	42,743	49,898	92,641	8,400,677	18,825	8,419,502	8,512,143	7,985,710
Travel	1,109,534	250,091	1,359,625	622,334	75,253	697,587	2,057,212	2,375,986
Other office expenses	64,279	132,192	196,471	125,114	960,379	1,085,493	1,281,964	981,646
Professional services	9,521	195,508	205,029	295,353	406,805	702,158	907,187	665,838
Depreciation	5,979	125,560	131,539	77,728	301,870	379,598	511,137	542,108
Office supplies	9,171	17,678	26,849	129,106	115,358	244,464	271,313	248,693
Data processing	1,836	17,116	18,952	69,414	198,626	268,040	286,992	240,400
Repairs and maintenance	5,051	103,120	108,171	62,415	76,103	138,518	246,689	230,979
Insurance	-	-	-	1,351	191,968	193,319	193,319	201,589
Courier and miscellaneous freight	48,002	36,153	84,155	66,440	4,560	71,000	155,155	173,052
Telephone	4,465	30,184	34,649	44,517	56,225	100,742	135,391	144,721
Occupancy	2,583	54,248	56,831	33,582	38,748	72,330	129,161	128,779
Interest	-	-	-	-	33,017	33,017	33,017	54,165
Total expenses before uncollectible pledges	4,411,674	932,433,641	936,845,315	35,331,871	7,751,572	43,083,443	979,928,758	1,158,549,782
Uncollectible pledges	-	-	-	-	399,847	399,847	399,847	498,465
Total expenses	\$ 4,411,674	\$ 932,433,641	\$ 936,845,315	\$ 35,331,871	\$ 8,151,419	\$ 43,483,290	\$ 980,328,605	\$ 1,159,048,247

See Notes to Financial Statements

FOOD FOR THE POOR, INC.**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,594,556	\$ (180,084)
Adjustments to reconcile change in net assets to net cash		
Depreciation	511,137	542,108
(Gain) loss on disposal of fixed assets	(46,897)	2,559
Provision for losses on promises to give	399,847	498,465
In-kind goods pending distribution	(8,378,170)	-
Decrease (increase) in operating assets:		
Promises to give	(809,260)	(451,863)
Other receivable	57,000	73,965
Goods pending distribution	131,734	263,711
Prepaid expenses	(73,681)	(137,402)
Other assets	(259,098)	249,970
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	868,887	(1,171,873)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>6,996,055</u>	<u>(310,444)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property and equipment	71,000	-
Acquisition of property and equipment	(401,456)	(525,543)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(330,456)</u>	<u>(525,543)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	-	(905,111)
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>(905,111)</u>
NET INCREASE (DECREASE) IN CASH	6,665,599	(1,741,098)
CASH, BEGINNING OF YEAR	<u>10,938,012</u>	<u>12,679,110</u>
CASH, END OF YEAR	<u>\$ 17,603,611</u>	<u>\$ 10,938,012</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 33,017</u>	<u>\$ 54,165</u>

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) **Nature of activities and summary of significant accounting policies**

Nature of activities - Food for the Poor, Inc. (the "Organization") is a not-for-profit corporation engaged in the collection and distribution of money, food, clothing, medicine and other goods to improve the health, economic and social conditions of indigent poor throughout the world. Activities are concentrated in the Caribbean and Latin America.

Food for the Poor of Canada, Inc. ("FFP - Canada") is a not-for-profit organization incorporated under the laws of Canada. Its purpose is to help those less fortunate in the Caribbean and Latin America by providing food, shelter and other basic needs. FFP - Canada is affiliated to the Organization by common control because two officers of the Organization are also directors of FFP - Canada. Consolidated statements have not been prepared since the economic interest that is provided to FFP - Canada is not deemed material to the results of the Organization. In 2016, the Organization provided a grant and other financial support of approximately \$79,000 to support the operations of FFP - Canada.

Basis of accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets as of December 31, 2016.

Basis of presentation - The Organization primarily classifies program services into the following categories:

Goods and Aid Supplied Program - The Organization distributes the majority of its contributions directly to programs that help the poor.

Educational Programs - The Organization, as part of its mission, also educates the general public about the specific conditions of the poor located in the assisted regions.

Allocation of joint costs - The Organization follows accounting principles generally accepted in the United States of America ("U.S. GAAP") for accounting for costs of activities of not-for-profit organizations that include fundraising. It establishes financial accounting standards for the accounting for costs of joint activities to be charged appropriately to the program, supporting services and to fundraising.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and summary of significant accounting policies (continued)

Cash equivalents - The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Goods pending distribution - The Organization's goods that are pending distribution consist of both donated and purchased goods. Donated goods are valued at their estimated fair value at the date of donation and the purchased goods are stated at cost at the time of purchase. At December 31, 2016, the Organization had \$8,513,754 of goods pending distribution.

Property, building and equipment - Acquisitions of property, building and equipment in excess of \$1,500 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property, building and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Land is reported at cost. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized currently. Other repairs and maintenance are charged to expense as incurred.

Donations of property, building and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose.

Contributions - Contributions are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the donor intent.

Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.

The Organization classifies contributions received with restrictions where the restrictions are satisfied in the same reporting period as unrestricted contributions.

Promises to give - Contributions are recognized at fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and summary of significant accounting policies (continued)

Promises to give (continued)

The Organization uses the allowance method to determine the estimated unconditional promises receivable that are doubtful of collection. The allowance is based on prior years' experience and management's analysis of specific promises made. The Organization also discounts to present value the estimated future cash flows using an appropriate market rate of interest for its promises to give greater than one year. Therefore, promises to give are recorded at their net realizable value.

Gifts-in-kind - Gifts-in-kind ("GIK") received through private donations are recorded and valued as revenue at their estimated fair value based upon the Organization's estimate of the wholesale values that would be received for selling the goods in their principal market.

Non-pharmaceutical GIK contributions received are valued at their estimated wholesale value as provided by the donor or, in the absence of the donor's reasonable valuation, estimated by the Organization using like-kind analyses and past donation history.

Pharmaceutical GIK contributions received are valued using costing data acquired from recognized and published resources and are valued at their estimated wholesale acquisition cost ("WAC") on a drug by drug basis. If WAC is not available in any published source, the Organization will refer to the donor's value. This valuation policy most resembles one used by a wholesale distributor of goods, which is the market role the Organization has in the acquisition and shipment of pharmaceutical donations. Pharmaceutical GIK contributions acquired from non-U.S. donors for products legally permissible to be sold outside the United States are valued in U.S. dollars based upon the wholesale market price of the countries representing the principal exit markets for those products.

GIK expenses are recorded when the goods are shipped for program use.

Freight - Shipping and handling costs are included in goods pending distribution in the accompanying statement of financial position upon receipt of goods and are expensed and included in goods and aid supplied in the accompanying statement of activities upon the shipment to recipients.

Advertising - Advertising costs are expensed as incurred and were \$378,928 for the year ended December 31, 2016 and are included with printed materials and publicity in the accompanying statement of functional expenses.

Use of estimates - The accompanying financial statements have been prepared in conformity with U.S. GAAP. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Nature of activities and summary of significant accounting policies (continued)

Use of estimates (continued)

assumptions and estimates. The most significant of these estimates relates to the estimation of the fair value of GIK, the allocation of joint costs, and the allowance for uncollectible promises to give. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Income taxes - The Organization is a not-for-profit organization and a public charity, as described in Section 501(c)(3) and 509(a) of the Internal Revenue Code, and is exempt from Federal income taxes, except that unrelated business income is taxable. The Organization had no unrelated business income tax during the year ended December 31, 2016.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for the years prior to 2013.

Comparative data - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

(2) Concentrations of risk

Financial instruments, which potentially subject the Organization to concentrations of risk, consist principally of cash and support from major contributors.

Cash - As of December 31, 2016, the Organization had cash balances of \$12,778,725 in excess of federally insured limits. The Organization maintains its cash with high quality financial institutions which the Organization believes limits its risks.

Support from major contributors - The Organization received approximately 44% of total support and revenue from three donors during 2016. These contributions were in the form of donated goods.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(3) Promises to give

At December 31, 2016, promises to give consist of the following:

Receivable in less than one year	\$	975,360
Receivable in one to five years		726,398
Receivable in more than five years		<u>19,036</u>
Total promises to give		1,720,794
Less: allowance for uncollectible promises to give		(450,000)
Less: discount to present value		<u>(18,833)</u>
 Net promises to give	 \$	 <u><u>1,251,961</u></u>

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.47%.

(4) Property, building and equipment

At December 31, 2016, property, building and equipment consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 6,140,388	-
Land improvements	988,525	20 years
Building	9,985,041	40 years
Furniture and fixtures	712,258	7 years
Equipment	2,084,871	5-10 years
Vehicles	<u>288,527</u>	5 years
	20,199,610	
Less: accumulated depreciation	<u>(4,966,399)</u>	
 Total property, building and equipment, net	 \$ <u><u>15,233,211</u></u>	

Depreciation expense for the year ended December 31, 2016 was \$511,137.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(5) Gift annuities

The Organization entered into several gift annuity agreements, which provided for unrestricted cash of approximately \$92,000 at December 31, 2016 and called for the Organization to make fixed annual payments to the donors in future years. The Organization entered into agreements with two top rated insurance companies whereby the insurance companies would assume the annuity payment liability. The liability represents the present value of the future payouts using an average discount rate of 2.20%. The Organization pays the insurance company the present value of the annuities.

The Organization remains contingently liable for the future payments on the gift annuities in the event that the insurance company defaults on the payments. As of December 31, 2016, the Organization was contingently liable for reinsured gift annuities totaling approximately \$6,219,000.

(6) Line of credit

The Organization has a revolving line of credit with a bank which was amended effective May 31, 2016, increasing the amount available for the issuance of commercial letters of credit and direct advances for short-term working capital needs from \$6 million to \$8 million and extending the maturity date to August 10, 2017. Interest continues to be charged at one-month LIBOR plus 1.75% (for an effective rate of 2.35% at December 31, 2016) and is payable monthly. There were no direct or contingent liabilities under the line of credit as of December 31, 2016. The line of credit is collateralized by substantially all assets of the Organization, except for the corporate headquarters and warehouse and contains non-financial covenants. The Organization was not in compliance with certain of the covenants; however, the bank waived those requirements as of and for the year ended December 31, 2016.

(7) Net assets

To help fulfill its mission, the Organization establishes projects throughout the year. These non-contractual programs are budgeted and are funded over the course of the year. However, funding for some of these projects may extend beyond the year end. At each year end, the Organization reports the unexpended portion of the project budgets as net assets designated for special projects. The balance to be apportioned based on these project budgets as of December 31, 2016 was \$8,987,024 and will be categorized as goods and aid supplied in the statement of activities.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(7) Net assets (continued)

Temporarily restricted net assets are available for the following as of December 31, 2016:

Net assets available:

Promises to give (time restrictions)	\$ 1,257,716
Goods and aid	<u>198,426</u>
Total temporarily restricted net assets	<u>\$ 1,456,142</u>

Temporarily restricted net assets were released from restrictions during the year ended December 31, 2016 for the following purposes:

Net assets satisfied:

Satisfactions of promises to give (time and purpose restrictions)	\$ 1,034,261
Goods and aid distributed	<u>400</u>
Total net assets released from restrictions	<u>\$ 1,034,661</u>

(8) Related parties and other organizations

Associated charities - The Organization is associated with three charities. These charities were established with the name "Food for the Poor – (country name)" and are based in Jamaica, Haiti and Guyana. Each of the charities operates distribution centers in their base country. The Organization has no ownership or voting interest in these charities. In 2016, the Organization made distributions of \$280,274,298 to these associated charities.

Related charities - The Organization distributes goods through various charities in which some board members hold executive positions. In 2016, the Organization made distributions of \$2,273,665 through these related charities.

Distributions - Goods and aid supplied in the accompanying statement of activities includes the distributions made to associated and related charities totaling \$282,547,963, of which \$24,749,100 was in cash and \$257,798,863 was in goods.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(9) Contingencies

Grants and contracts awarded to the Organization are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged. Expenditures are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended December 31, 2016. Certain grants awarded by the U.S. Government are subject to appropriations and funding thereof that may result in delays or even suspension of funding as a result of U.S. Government budgetary constraints imposed by the U.S. Congress.

During the year ended December 31, 2015, the City of Coconut Creek (the "City") informed the Organization that non-ad valorem taxes related to the tax years 2012 through 2015 totaling approximately \$344,000 were due to the City. The assessment was issued by the City based on their assertion that the Broward County, Florida Property Appraiser's Office erred in the calculation of the non-ad valorem assessments on the Organization's property. The matter was settled during 2016 for approximately \$102,000.

On April 4, 2016, management received notification from the Attorney General's Office of the State of California that the Organization had been selected for a correspondence audit. Pursuant to statutes in the State of California, the Attorney General has a duty to supervise charitable organizations that solicit donations from residents of, and do business in California. Although the purpose of the correspondence audit has not been clearly expressed to the Organization, the Organization has complied with all informational requests to date. While the ultimate outcome of this audit is not presently determinable, management believes that the resolution of this matter will not have a material adverse effect on the financial position or results of operations of the Organization.

(10) Retirement plan

The Organization maintains a 403(b)(7) ERISA Title 1 Plan which covers all employees. Participants may elect to contribute up to 100% of their wages, as limited by current federal tax law. Additionally, the Organization matches 50% of participating employees' contributions up to the first 6% of their salary deferral. For 2016, the Organization accrued \$334,004 of contributions to this plan all of which is included in accounts payable and accrued liabilities in the accompanying statement of financial position and salaries and related expenses in the accompanying statement of functional expenses. The assets of the 403(b)(7) Plan are the property of the Plan's participants and their beneficiaries; therefore, the assets of this plan are not included in the accompanying financial statements.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(11) Allocation of joint costs

For 2016, the Organization had joint costs of \$10,781,473 of which \$4,770,584 was allocated to educational and program activities, \$4,909,921 was allocated to fundraising activities and \$1,100,968 was allocated to administrative activities.

(12) Subsequent events

Management has evaluated subsequent events through March 31, 2017, which is the date that the financial statements were available to be issued.

During March 2017, the Organization received letters from the Attorney General offices of the State of Minnesota and also from the State of Michigan requesting information and documents relating to the Organization's fundraising and solicitation activities for specified periods of time. Although the letters were similar in the content of information they were seeking, the State of Minnesota's letter was classified as a request for information and the State of Michigan's request was determined to be an investigative order to produce documents. The Organization believes it has complied with applicable state fundraising and solicitation requirements and intends to be responsive to any requests for information it has received. Management is currently evaluating the impact, if any, the information requests would have on the Organization's financial statements.

Other than the matters disclosed above, the Company is not aware of any events that have occurred subsequent to the balance sheet that would require adjustment to, or disclosure in, the accompanying financial statements.