

FEED MY PEOPLE
FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013

FEED MY PEOPLE
DECEMBER 31, 2014 and 2013

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Martz & Wilson, LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Feed My People
Lemay, Missouri

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, 2014 and 2013, 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, 2014 and 2013, 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.

A handwritten signature in black ink that reads "Martz & Wilson LLP". The signature is written in a cursive, flowing style.

MARTZ & WILSON, LLP
Certified Public Accountants

November 4, 2015

FEED MY PEOPLE
STATEMENTS OF FINANCIAL POSITION

Assets

	December 31,	
	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 287,259	\$ 297,067
Cash-board restricted	4,957	743
Certificates of deposit	53,152	52,968
Federal refund receivable	-	6,564
Prepaid expenses	5,010	3,900
Promises to give	302,713	-
Food inventory	12,771	31,120
	665,862	392,362
 Investments	 712,451	 658,263
 Property, Equipment, and Leasehold Improvements, net of accumulated depreciation	 <u>1,387,733</u>	 <u>1,410,315</u>
Total Assets	\$ 2,766,046	\$ 2,460,940

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 6,530	\$ 6,997
 Net Assets		
Unrestricted		
Undesignated	1,525,684	1,595,888
Board designated	717,408	659,006
	2,243,092	2,254,894
Temporarily restricted	516,424	199,049
	2,759,516	2,453,943
Total Liabilities and Net Assets	\$ 2,766,046	\$ 2,460,940

FEED MY PEOPLE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted		Temporarily Restricted	Total
	Unrestricted	Board Designated		
Revenue and Support				
Public support				
Contributions	\$ 521,696	\$ 54,290	\$ 14,662	\$ 590,648
Donated food, materials, and services	3,622,288	-	-	3,622,288
Special events (net of direct costs of \$64,635 in 2014)	81,291	-	-	81,291
Grant income	12,500	-	-	12,500
Bequest income	36,402	-	300,670	337,072
Revenues				
Thrift store sales	171,121	-	-	171,121
Investment income	417	89,260	-	89,677
Gain (Loss) on investments	-	(69,094)	2,043	(67,051)
Release from restrictions	4,445,715	74,456	317,375	4,837,546
	16,054	(16,054)	-	-
Total Revenue and Support	4,461,769	58,402	317,375	4,837,546
Expenses				
Changes in net assets	4,531,973	-	-	4,531,973
	(70,204)	58,402	317,375	305,573
Net Assets, Beginning of Year	1,595,888	659,006	199,049	2,453,943
Net Assets, End of Year	\$ 1,525,684	\$ 717,408	\$ 516,424	\$ 2,759,516

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

FEED MY PEOPLE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2013

	Unrestricted			Temporarily Restricted	Total
	Unrestricted	Board Designated			
Revenue and Support					
Public support	\$ 501,615	\$ 26,388	\$ 29,230	\$	557,233
Contributions	3,987,557	-	-	-	3,987,557
Donated food, materials, and services	54,064	-	-	-	54,064
Special events (net of direct costs of \$50,484 in 2013)	2,092	-	-	-	2,092
Grant income	81,576	-	-	-	81,576
Bequest income					
Revenues	166,659	-	-	-	166,659
Thrift store sales	481	20,852	-	-	21,333
Investment income	-	91,130	-	-	91,130
Gain on investments	4,794,044	138,370	29,230	4,961,644	
Release from restrictions	172,643	(105,000)	(67,643)	-	
Total Revenue and Support	4,966,687	33,370	(38,413)		4,961,644
Expenses	4,826,489	-	-		4,826,489
Changes in net assets	140,198	33,370	(38,413)	135,155	
Net Assets, Beginning of Year	1,455,690	625,636	237,462		2,318,788
Net Assets, End of Year	\$ 1,595,888	\$ 659,006	\$ 199,049		\$ 2,453,943

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

FEED MY PEOPLE
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2014	2013
Operating Activities		
Change in net assets	\$ 305,573	\$ 135,155
Adjustments to reconcile change in net assets to net Cash provided by operating activities		
Depreciation	68,714	55,354
(Gain) Loss on investments	69,094	(91,130)
Investment income reinvested	(89,260)	(20,852)
Decrease (increase) prepaid expenses	(1,110)	500
Decrease (increase) in promises to give	(302,713)	-
Decrease (increase) certificates of deposits	(184)	41,580
Decrease (increase) in federal refund receivable	6,564	2,725
Increase (decrease) in current liabilities	(467)	(54,603)
Decrease (increase) in grants receivable	-	121,104
Decrease (increase) in TEFAP food inventory	18,349	(10,040)
Net Cash Provided by Operating Activities	74,560	179,793
Investing Activities		
Transfer from Board designated investments	16,054	105,000
Board restricted stock investment donations received	(54,290)	(26,388)
Purchase of property and equipment	(46,132)	(91,768)
Net Cash Used by Investing Activities	(84,368)	(13,156)
Net Increase (Decrease) in Cash and Cash Equivalents	(9,808)	166,637
Cash and Cash Equivalents, Beginning of Year	297,067	130,430
Cash and Cash Equivalents, End of Year	\$ 287,259	\$ 297,067

FEED MY PEOPLE
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	Program			Total
	Services	Administration	Fundraising	
Program Expenses				
Purchased food and materials	\$ 27,148	\$ -	\$ -	\$ 27,148
Donated food and materials	3,621,396	-	-	3,621,396
Fans and heaters	1,158	-	-	1,158
Weatherized materials	-	-	-	-
Shoes	-	-	-	-
Childrens underwear	1,790	-	-	1,790
Specific assistance	4,391	-	-	4,391
Thrift store expenses	4,657	-	-	4,657
Client services	2,700	-	-	2,700
Total Program Expenses	3,663,240	-	-	3,663,240
Payroll Expenses				
Salaries	189,372	168,165	57,213	414,750
Employee benefits	23,390	29,239	5,848	58,477
Payroll taxes	14,390	17,989	3,598	35,977
Pension	5,327	6,692	1,395	13,414
Total Personnel Expenses	232,479	222,085	68,054	522,618
Occupancy Expenses				
Repairs and maintenance	16,886	21,108	4,222	42,216
Insurance	18,675	23,345	4,669	46,689
Depreciation	46,968	18,591	3,155	68,714
Security	-	1,297	-	1,297
Other occupancy	21,969	27,464	5,493	54,926
Total Occupancy Expenses	104,498	91,805	17,539	213,842
Other Operating Expenses				
Printing and publication	21,554	-	-	21,554
Postage and shipping	2,916	3,645	729	7,290
Advertising	7,671	-	7,671	15,342
Vehicle expense	14,108	-	-	14,108
Office expense	4,625	5,783	1,157	11,565
Volunteer development	5,949	-	-	5,949
Telephone	1,265	2,530	1,265	5,060
Conferences and meetings	-	2,309	770	3,079
Professional fees	30	18,445	3,266	21,741
Taxes and licenses	-	113	-	113
Miscellaneous	15,243	-	-	15,243
Computer expense	935	7,486	936	9,357
Dues and subscriptions	-	1,272	-	1,272
Meal a month bags	600	-	-	600
Total Other Operating Expenses	74,896	41,583	15,794	132,273
Total Functional Expenses	\$ 4,075,113	\$ 355,473	\$ 101,387	\$ 4,531,973

FEED MY PEOPLE
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended December 31, 2013

	Program			Total
	Services	Administration	Fundraising	
Program Expenses				
Purchased food and materials	\$ 14,694	\$ -	\$ -	\$ 14,694
Donated food and materials	3,970,223	-	-	3,970,223
Fans and heaters	1,897	-	-	1,897
Weatherized materials	275	-	-	275
Shoes	999	-	-	999
Childrens underwear	7,046	-	-	7,046
Specific assistance	4,260	-	-	4,260
Thrift store expenses	4,479	-	-	4,479
Client services	2,981	-	-	2,981
Total Program Expenses	4,006,854	-	-	4,006,854
Payroll Expenses				
Salaries	187,183	158,689	67,916	413,788
Employee benefits	41,680	15,536	3,723	60,939
Payroll taxes	18,539	12,641	4,740	35,920
Pension	4,688	3,161	1,867	9,716
Total Personnel Expenses	252,090	190,027	78,246	520,363
Occupancy Expenses				
Repairs and maintenance	11,578	14,474	2,895	28,947
Insurance	19,213	24,018	4,804	48,035
Depreciation	32,118	18,737	4,499	55,354
Security	-	1,130	-	1,130
Other occupancy	19,571	24,463	4,893	48,927
Total Occupancy Expenses	82,480	82,822	17,091	182,393
Other Operating Expenses				
Printing and publication	16,204	-	-	16,204
Postage and shipping	5,501	6,876	1,375	13,752
Advertising	3,093	-	3,092	6,185
Vehicle expense	24,116	-	-	24,116
Office expense	6,397	7,997	1,599	15,993
Volunteer development	4,510	-	-	4,510
Telephone	1,685	3,371	1,685	6,741
Conferences and meetings	-	1,647	549	2,196
Professional fees	76	14,309	2,547	16,932
Taxes and licenses	-	105	-	105
Miscellaneous	1,681	-	235	1,916
Computer expense	682	5,451	681	6,814
Dues and subscriptions	-	1,115	-	1,115
Meal a month bags	300	-	-	300
Total Other Operating Expenses	64,245	40,871	11,763	116,879
Total Functional Expenses	\$ 4,405,669	\$ 313,720	\$ 107,100	\$ 4,826,489

FEED MY PEOPLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 and 2013

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, Missouri. The Organization also serves the needs of the poor in South St. Louis County and Northwestern Jefferson County. 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

The accompanying financial statements are presented in accordance with the Statement of Accounting Standards (SFAS) No. 117 "Financial Statements of Not-For-Profit Organizations".

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 unrestricted, temporarily restricted, or permanently restricted support, 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. Volunteers provide assistance in the program support and fund raising activities of the Organization. Professional and specialized donated services and donated materials are recognized at their fair market value. The value of donated materials amounted to \$3,243,514 and \$3,987,577 for 2014 and 2013, respectively. The fair market value of other volunteer services amounted to \$746,038 and \$828,060, for 2014 and 2013, respectively, but are not included in these financial statements in accordance with SFAS No. 116.

Expenses are recognized under the accrual basis of accounting.

Cash

Cash includes all currency on hand and checking and savings accounts. Accounts at each financial institution are secured by Federal Deposit Insurance Corporation up to \$250,000. Daily balances in these accounts may exceed this limit.

FEED MY PEOPLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 and 2013

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$1.72 per pound in 2014 and \$1.69 per pound in 2013.

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>2014</u>	<u>2013</u>
Furniture and equipment	\$ 119,578	\$ 110,085
Vehicles	89,274	89,274
Leasehold improvements	406,279	369,640
Building	1,348,700	1,348,700
Land	273,700	273,700
	<u>2,237,531</u>	<u>2,191,399</u>
Accumulated depreciation	849,798	781,084
	<u>\$ 1,387,733</u>	<u>\$ 1,410,315</u>

Depreciation expense was \$68,714 and \$55,354 for 2014 and 2013, 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 \$1,245,092 in 2014 and \$946,331 in 2013. Shipments from the USDA program included in the Food Bank shipments were \$378,774 in 2014 and \$476,793 in 2013.

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.

FEED MY PEOPLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 and 2013

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Cost

The Organization expenses all advertising costs. Advertising expense was \$15,342 and \$6,185 for 2014 and 2013, respectively.

Subsequent Events

The Organization has evaluated subsequent events through November 4, 2015, the date which the financial statements were issued.

NOTE 3 – NET ASSETS

The Organization classifies its net assets into two categories:

Unrestricted Net Assets include all of the unrestricted support and revenue of the Organization, all of the expenses of the Organization, and transfers from temporarily restricted net assets for reimbursement of expenditures that meet the restrictions of the donors. Unrestricted Net Assets include Board Designated Net Assets (See Note 5) and Undesignated Net Assets.

Temporarily Restricted Net Assets include all the restricted support and revenue of the Organization. Transfers are made from this fund to unrestricted net assets as expenditures are incurred which meet the restrictions of the donors.

FEED MY PEOPLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 and 2013

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2014 and 2013 are composed of:

	December 31, 2013	Restricted Grants and Donations	Released from Restrictions	December 31, 2014
Temporarily Restricted				
Capital Improvements	\$ 199,049	\$ 14,662	\$ -	\$ 213,711
Bequests	-	302,713	-	302,713
Total Temporarily Restricted	\$ 199,049	\$ 317,375	\$ -	\$ 516,424

	December 31, 2012	Restricted Grants and Donations	Released from Restrictions	December 31, 2013
Temporarily Restricted				
Capital Improvements	\$ 171,467	\$ 29,230	\$ 1,648	\$ 199,049
St. Louis County Port Authority	65,995	-	65,995	-
Total Temporarily Restricted	\$ 237,462	\$ 29,230	\$ 67,643	\$ 199,049

NOTE 5 – PROMISES TO GIVE

In 2012, the Organization received a grant from the St. Louis County Port Authority of \$180,000 to rehabilitate its facilities in South St. Louis County Facility. At December 31, 2012, the Organization had received \$58,896. The remaining grant of \$121,104 is recorded as a promise to give. Due to the nature of promise, management believes that all amounts will be received when due and no allowance for uncollectible promise is necessary.

At December 31, 2012, building improvement of \$114,005 had been incurred.

In October 2014, the Organization was named as a one-sixth beneficiary of an irrevocable trust. The amount of the bequest resulted in a promise to give of \$302,713, which includes the change in the fair market value of \$2,403 from the date of the bequest to December 31, 2014. Due to the nature of the promise, management believes that all amounts will be received when due and no allowance for uncollectible promises is necessary.

In 2015, the Organization received \$297,782 in total distributions from the trust.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 and 2013

Promises to give at December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 302,713	\$ -
Receivable in one to five years	-	-
Receivable in more than five years	-	-
Total promises to give	<u>302,713</u>	<u>-</u>
Less discounts to net present value	-	-
Net promises to give	<u>\$ 302,713</u>	<u>\$ -</u>

NOTE 6 – 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 2014 and 2013, the Board approved the transfer of \$16,054 and \$105,000, respectively to support operations. Fair value and cost of these investments as of December 31, 2014 and 2013 are as follows:

<u>Fair Value</u>	<u>2014</u>	<u>2013</u>
Thrivent Investment Management	\$ 272,735	\$ 268,829
US Bancorp Securities	444,673	390,177
	<u>717,408</u>	<u>659,006</u>
Less Money Market Accounts	4,957	743
Investments	<u>\$ 712,451</u>	<u>\$ 658,263</u>

<u>Cost</u>	<u>2014</u>	<u>2013</u>
Thrivent Investment Management	\$ 302,560	\$ 291,396
US Bancorp Securities	485,422	355,132
	<u>787,982</u>	<u>646,528</u>
Less Money Market Accounts	4,957	743
Investments	<u>\$ 783,025</u>	<u>\$ 645,785</u>

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 and 2013

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.

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, 2014 and 2013.

Certificate of deposit: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 and 2013

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth, by level within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2014 and 2013:

	<u>2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Undesignated Net Assets				
Certificates of deposit	\$ -	\$ 53,152	\$ -	\$ 53,152
Board Designated Net Assets				
Money market	10,128	-	-	10,128
Individual stocks	126,133	-	-	126,133
Mutual funds	388,085	193,062	-	581,147
	<u>524,346</u>	<u>193,062</u>	<u>-</u>	<u>717,408</u>
	<u>\$ 524,346</u>	<u>\$ 246,214</u>	<u>\$ -</u>	<u>\$ 770,560</u>
	<u>2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Undesignated Net Assets				
Certificates of deposit	\$ -	\$ 52,968	\$ -	\$ 52,968
Board Designated Net Assets				
Money market	3,339	-	-	3,339
Individual stocks	136,693	-	-	136,693
Mutual funds	325,897	193,077	-	518,974
	<u>465,929</u>	<u>193,077</u>	<u>-</u>	<u>659,006</u>
	<u>\$ 465,929</u>	<u>\$ 246,045</u>	<u>\$ -</u>	<u>\$ 711,974</u>

NOTE 7 – EMPLOYEES' RETIREMENT PLAN

The Organization has a 403(b) qualified annuity retirement plan for all eligible employees. The Organization made contributions of \$13,414 and \$9,716 for the years ended December 31, 2014 and 2013, respectively. The Organization matches 50% of the employee contribution to a maximum of 5% of the employee earnings.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 and 2013

NOTE 8 – PARKSIDE AFFORDABLE HOUSING I, LP

The Organization is one of three general partners in the Parkside Affordable Housing I, LP, also known as Hillside II Apartments. The Partnership owns 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 99.99% of the income or loss from day-to-day operations and 50% of any gain or loss from the sale of the property. The Organization, as a general partner, receives .005% of income or loss from day-to-day operations and 25% 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, 2014 and 2013, the deficit in the capital account of the Organization was \$(200,362) and \$(142,472), respectively. The Organization is also owed a deferred developer fee, including accrued interest, of \$38,755 and \$37,421 for 2014 and 2013, respectively.

The Organization received no cash in 2014 or 2013 from the Partnership. The allocation of the loss was \$(57,890) and \$(54,268) for 2014 and 2013, respectively.

The Partnership will dissolve on December 31, 2050, unless dissolved sooner pursuant to the Partnership Agreement.

NOTE 9 – INCOME TAX REFUND

The Organization is entitled to a federal refund for providing health insurance for its employees. The total claim for 2014 and 2013 was \$0 and \$6,564, respectively. The credit reduced employee benefits in these financial statements.