



FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016

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Independent Auditor's Report

Board of Directors
Circle of Concern
St. Louis, Missouri

We have audited the accompanying financial statements of Circle of Concern (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 Circle of Concern as of December 31, 2016 and 2015, 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.

Brown Smith Wallace, LLP

St. Louis, Missouri

June 26, 2017

CIRCLE OF CONCERN

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 614,780	\$ 579,380
Grant receivable	7,750	-
Donated and purchased goods on hand	91,911	104,713
Prepaid expenses and other assets	14,461	1,421
Short term investments	687,000	632,000
Total Current Assets	1,415,902	1,317,514
Property and Equipment, net	1,373,576	1,412,555
TOTAL ASSETS	\$ 2,789,478	\$ 2,730,069
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 39,111	\$ 10,507
Total Current Liabilities	39,111	10,507
Net Assets		
Unrestricted	2,744,643	2,711,211
Temporarily restricted	5,724	8,351
Total Net Assets	2,750,367	2,719,562
TOTAL LIABILITIES AND NET ASSETS	\$ 2,789,478	\$ 2,730,069

The accompanying notes are an integral part of these financial statements.

CIRCLE OF CONCERN

Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Public Support			
Individuals	\$ 557,204	\$ -	\$ 557,204
Businesses	77,758	-	77,758
Community groups and congregations	134,952	-	134,952
Foundations	205,700	-	205,700
Ameren UE Dollar More	5,805	-	5,805
Food contributions	1,004,962	-	1,004,962
Non-food contributions	132,598	-	132,598
Special events, net direct expenses of \$5,911	35,468	-	35,468
Interest income	4,058	-	4,058
Other income	3,727	-	3,727
Net assets released from restrictions	2,627	(2,627)	-
Total revenues and public support	2,164,859	(2,627)	2,162,232
Expenses			
Program	1,768,182	-	1,768,182
Management and general	233,087	-	233,087
Fundraising	130,158	-	130,158
Total expenses	2,131,427	-	2,131,427
CHANGE IN NET ASSETS	33,432	(2,627)	30,805
Net assets at beginning of year	2,711,211	8,351	2,719,562
Net assets at end of year	\$ 2,744,643	\$ 5,724	\$ 2,750,367

The accompanying notes are an integral part of these financial statements.

CIRCLE OF CONCERN

Statement of Activities

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and Public Support			
Individuals	\$ 585,140	\$ -	\$ 585,140
Businesses	69,700	-	69,700
Community groups and congregations	92,002	-	92,002
Foundations	144,009	-	144,009
Ameren UE Dollar More	6,042	-	6,042
Food contributions	984,347	-	984,347
Non-food contributions	163,922	-	163,922
Special events, net direct expenses of \$13,715	29,204	-	29,204
Interest income	6,696	-	6,696
Other income	5,519	-	5,519
Net assets released from restrictions	72,661	(72,661)	-
Total revenues and public support	2,159,242	(72,661)	2,086,581
Expenses			
Program	1,758,224	-	1,758,224
Management and general	211,091	-	211,091
Fundraising	85,823	-	85,823
Total expenses	2,055,138	-	2,055,138
CHANGE IN NET ASSETS	104,104	(72,661)	31,443
Net assets at beginning of year	2,607,107	81,012	2,688,119
Net assets at end of year	\$ 2,711,211	\$ 8,351	\$ 2,719,562

The accompanying notes are an integral part of these financial statements.

CIRCLE OF CONCERN

Statement of Functional Expenses

Year Ended December 31, 2016

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 102,202	\$ 68,135	\$ 42,584	\$ 212,921
Insurance and employee expenses	5,279	3,519	2,200	10,998
Employment taxes	8,669	5,780	3,612	18,061
	116,150	77,434	48,396	241,980
Aid to individuals (Note A)	1,514,393	2,400	-	1,516,793
Auto expense	7,137	-	-	7,137
Bank fees	-	3,379	-	3,379
Computer expense	-	9,580	-	9,580
Depreciation	12,745	38,686	-	51,431
Fundraising	-	-	21,309	21,309
Insurance	8,001	8,001	-	16,002
License and fees	-	2,626	-	2,626
Memberships	28	1,392	-	1,420
Newsletter	-	19,170	19,170	38,340
Postage	1,788	1,788	-	3,576
Professional fees	3,594	41,329	-	44,923
Public relations	-	-	38,486	38,486
Repairs and maintenance	15,152	15,152	-	30,304
Scholarships	59,846	-	-	59,846
Supplies	8,389	2,797	2,797	13,983
Telephone	3,814	1,879	-	5,693
Utilities	9,512	7,474	-	16,986
Volunteer services	7,633	-	-	7,633
	1,652,032	155,653	81,762	1,889,447
TOTAL FUNCTIONAL EXPENSES	\$ 1,768,182	\$ 233,087	\$ 130,158	\$ 2,131,427

The accompanying notes are an integral part of these financial statements.

CIRCLE OF CONCERN

Statement of Functional Expenses

Year Ended December 31, 2015

	Program Service	Management and General	Fundraising	Total
Salaries	\$ 95,795	\$ 63,863	\$ 39,915	\$ 199,573
Insurance and employee expenses	2,585	1,723	1,077	5,385
Employment taxes	8,335	6,885	3,473	18,693
	106,715	72,471	44,465	223,651
Aid to individuals (Note A)	1,539,820	1,550	-	1,541,370
Auto expense	9,186	-	-	9,186
Bank fees	-	3,780	-	3,780
Computer expense	-	3,249	-	3,249
Depreciation	19,038	40,454	-	59,492
Fundraising	-	-	14,987	14,987
Insurance	9,490	9,490	-	18,980
License and fees	-	1,975	-	1,975
Memberships	28	1,373	-	1,401
Newsletter	-	13,163	13,163	26,326
Postage	1,093	1,093	-	2,186
Professional fees	3,499	40,240	-	43,739
Public relations	-	-	7,328	7,328
Repairs and maintenance	14,827	14,827	-	29,654
Scholarships	27,246	-	-	27,246
Supplies	7,587	2,484	2,484	12,555
Telephone	3,138	1,546	-	4,684
Utilities	8,678	3,396	3,396	15,470
Volunteer services	7,879	-	-	7,879
	1,651,509	138,620	41,358	1,831,487
TOTAL FUNCTIONAL EXPENSES	\$ 1,758,224	\$ 211,091	\$ 85,823	\$ 2,055,138

The accompanying notes are an integral part of these financial statements.

CIRCLE OF CONCERN

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 30,805	\$ 31,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	51,431	59,492
Loss on disposal of assets	-	207
(Increase) decrease in operating assets:		
Grant receivable	(7,750)	-
Donated and purchased goods on hand	12,802	20,246
Prepaid expenses and other assets	(13,040)	2,220
Increase in operating liabilities:		
Accounts payable and accrued expenses	28,604	5,414
Net cash provided by operating activities	102,852	119,022
Cash flows from investing activities:		
Purchases of property and equipment	(12,452)	(12,980)
Purchase of certificate of deposit	989,138	528,000
Redemption of certificate of deposit	(1,044,138)	(585,000)
Net cash used in investing activities	(67,452)	(69,980)
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,400	49,042
Cash and cash equivalents, beginning of year	579,380	530,338
Cash and cash equivalents, end of year	\$ 614,780	\$ 579,380

The accompanying notes are an integral part of these financial statements.

CIRCLE OF CONCERN

Notes to Financial Statements

December 31, 2016

Note A - Nature of Activities

Formed in 1967 by a group of West St. Louis County churches, Circle of Concern (“Circle”) is a Missouri not-for-profit food pantry and social services agency serving low-income families in the Parkway, Rockwood, and Valley Park School Districts. While Circle’s core program is its food pantry, its motto is, “Feeding families is just the beginning.”

- Food Pantry - Circle shares a variety of fresh (eggs, dairy, meat, produce) and packaged foods – one to two weeks’ worth each month for eligible households. Circle serves approximately 600 households monthly and over 1200 households annually.
- Emergency Financial Assistance - Circle provides limited short-term financial assistance for eligible households, primarily to help a family avoid eviction or a utility shut-off.
- Case Management, Coaching and Community Referrals – During monthly appointments with trained volunteer intake and case workers, clients may practice simple budgeting, discuss obstacles, set goals; and explore additional resources and strategies.
- Career Mentorship – Working and retired professionals pair with clients striving to grow professionally, increase employability, improve earning potential, explore educational opportunities, etc. Together, clients and mentors may work on job search techniques; computer skills, resume development, networking, interviewing, interpersonal and time-management skills.
- Scholarships – Eligible high school seniors and second and third-year college students may compete for scholarships to attend college, professional or trade school. Additionally, eligible adult clients may apply for a scholarship to renew a professional license, complete a degree or certificate program, etc.
- Summer Opportunities – Client families may apply for “camperships” for their child (children) to attend a summer sports, music, scouts, church or STEM camp, etc. Circle sends over 100 children annually to a variety of camps throughout St. Louis County and beyond.
- Back to School - Circle organizes an annual school supply drive to provide students (kindergarten through high school) with backpacks and grade-appropriate school supplies for the upcoming school year.

CIRCLE OF CONCERN

Notes to Financial Statements – Continued

December 31, 2016

Note A - Nature of Activities (Continued)

- Holiday and Birthday Programs – Circle hosts a Thanksgiving Basket Day and an annual Holiday Adoption event to help client families and children to have a bright holiday season. On their birthdays, Children under 12 receive a toy and books selected just for them, along with cake mix, frosting and simple party supplies.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared on the accrual basis and, accordingly, reflect all significant receivables, payables and other liabilities. Revenues and expenses are recognized in the period in which they are earned or incurred.

Basis of Presentation

Financial statement presentation follows the requirements of Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958-205-05, *Not-for-Profit Entities*, which requires Circle to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. At December 31, 2016 and 2015, respectively, Circle has no permanently restricted net assets.

Revenue Recognition

Unconditional promises to give are accrued at estimated fair value at the date each promise is received. Gifts are reported as temporarily or permanently restricted support if they are received with donors’ stipulations that limit the use of the donated assets. When a donor’s restriction is satisfied, temporarily restricted net assets are released and reported as an increase in unrestricted net assets. Circle’s policy is to record restricted contributions as unrestricted if the restriction is met within the reporting period.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CIRCLE OF CONCERN

Notes to Financial Statements – Continued

December 31, 2016

Note B - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Circle considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Circle maintains cash balances at various financial institutions in the St. Louis area. At times, bank deposits may be in excess of federally insured limits.

Investments

Certificates of deposit held for investment that are not debt securities are included in “investments.” Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as “short-term investments.” Certificates of deposit with remaining maturities of greater than one year are classified as “long-term investments.” The cost of the certificates of deposit approximates fair value. Investment income is recognized when earned.

Donated and Purchased Goods on Hand

At December 31, 2016 and 2015, inventory consisted of donated and purchased food items, gift cards, toys, and school supplies. The purchased items are valued at cost and the donated items are estimated at fair market value at the time of the donation. Significant food products and materials are donated to Circle by various individuals, organizations, and local governments.

Property and Equipment

Acquisitions of property and equipment with a useful life greater than one year and a cost of \$500 dollars or more are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair values of the assets at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Repairs and maintenance are expensed as incurred.

Impairment of Long Lived Assets

Circle evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed for the years ended December 31, 2016 and 2015.

CIRCLE OF CONCERN

Notes to Financial Statements – Continued

December 31, 2016

Note B - Summary of Significant Accounting Policies (Continued)

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Circle follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$38,486 and \$7,328 for the years ended December 31, 2016 and 2015, respectively.

Donated Goods and Services

Donated goods and services are recorded as contributions at fair market value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Circle records donated goods and services if their value is readily ascertainable and if the services performed require specialized skills.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Circle. Numerous volunteers support Circle by providing a variety of services; however, the value of this contributed time is not reflected in these financial statements because the criteria for recognition has not been met.

Income Tax Status

Circle constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

Circle has addressed the provisions of FASB ASC 740, *Accounting for Income Taxes*. In that regard, the Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

CIRCLE OF CONCERN

Notes to Financial Statements – Continued

December 31, 2016

Note B - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the December 31, 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

Circle has evaluated subsequent events through June 26, 2017, which is the date the financial statements were available to be issued, and has reflected all events requiring adjustment or disclosure in the financial statements.

Note C - Donated and Purchased Goods on Hand

The components of donated and purchased goods on hand at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Gift cards	\$ 9,587	\$ 10,440
Food	74,500	84,122
Toys	-	5,601
Back to school supplies	<u>7,824</u>	<u>4,550</u>
	<u>\$ 91,911</u>	<u>\$ 104,713</u>

Note D - Property and Equipment

A summary of property and equipment at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Building and improvements	\$ 1,526,794	\$ 1,526,794
Computers and equipment	131,960	119,930
Furniture and fixtures	33,091	32,669
Automobiles	32,121	32,121
Land	<u>147,999</u>	<u>147,999</u>
Total cost	1,871,965	1,859,513
Less accumulated depreciation	<u>(498,389)</u>	<u>(446,958)</u>
	<u>\$ 1,373,576</u>	<u>\$ 1,412,555</u>

Depreciation expense was \$51,431 and \$59,492 for the years ended December 31, 2016 and 2015, respectively.

CIRCLE OF CONCERN

Notes to Financial Statements – Continued

December 31, 2016

Note E - Donated Food and Non-Food Items

The value included in the statements of activities for donated food and non-food items at December 31, 2016 and 2015 was \$1,208,954 and \$1,230,645, respectively. The total amount of donated food and non-food items are recorded in various lines on the statement of activities including individuals, businesses, foundations, food contributions, and non-food contributions. Management estimated the fair value of donated goods inventory as of December 31, 2016 and 2015.

Note F - Conditional Promises to Give

At December 31, 2014, Circle had a \$150,000 conditional promise to give in support of its operations. The commitment was part of a multi-year promise, with disbursements being made in the amount of \$30,000 each year for five years; three payments totaling \$90,000 have been collected, with \$60,000 remaining as of December 31, 2016. Payments are contingent on the results of operations of the corporate sponsor.

In addition, Circle had a \$55,000 conditional promise to give in support of the food pantry contingent on requirements to be met in 2014, 2015, and 2016. Requirements were met and the full amount was collected as of December 31, 2016. Circle received \$25,000 in 2014, \$20,000 in 2015, and the remaining \$10,000 was received in 2016. The disbursements were subject to the approval of the grantor.

No amount has been reflected in these financial statements for the conditional promises to give.

Note G - Temporarily Restricted Net Assets

At December 31, temporarily restricted net assets were restricted for the following:

	<u>2016</u>	<u>2015</u>
Food pantry	\$ 5,724	\$ 6,519
Camperships	<u>-</u>	<u>1,832</u>
	<u>\$ 5,724</u>	<u>\$ 8,351</u>
Net assets released:		
Food pantry	\$ 795	\$ 27,363
Capital improvements	-	13,130
Scholarships	-	25,000
Camperships	<u>1,832</u>	<u>7,168</u>
	<u>\$ 2,627</u>	<u>\$ 72,661</u>

CIRCLE OF CONCERN

Notes to Financial Statements – Continued

December 31, 2016

Note H - Employee Benefits

The Board of Directors approved a SIMPLE IRA retirement plan for Circle on December 7, 2015. Commencing January 1, 2016, the Organization established the plan for its employees, matching 100% of participant contributions up to three percent. All Circle employees are eligible to participate in its defined contribution retirement plan. During the years ending December 31, 2016 and 2015, total matching contributions were \$6,388 and \$0, respectively.