

**FOODSHARE, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017 AND 2016**

# FOODSHARE, INC.

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## Independent Auditors' Report

To the Board of Directors  
Foodshare, Inc.  
Bloomfield, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of Foodshare, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

#### ***Auditors' 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 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 audits 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 auditors consider 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 Foodshare, Inc., as of December 31, 2017 and 2016, 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2018 on our consideration of Foodshare, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Foodshare, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foodshare, Inc.'s internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
June 7, 2018

# FOODSHARE, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 1)	\$ 2,265,778	\$ 2,329,004
Investments (Note 2)	2,589,889	2,253,472
Handling and buying club fees receivable, net of allowance of \$2,235 in 2017 and \$2,628 in 2016 (Note 3)	42,469	43,053
Contributions receivable, net (Note 4)	229,774	504,461
Government grants receivable	224,528	56,592
Donated food inventory (Note 5)	2,499,829	2,013,411
Purchased food inventory (Note 6)	35,221	65,893
Prepaid expenses	50,001	76,889
Land, building and equipment, net (Note 7)	<u>4,689,390</u>	<u>4,934,093</u>
<b>Total Assets</b>	<u>\$ 12,626,879</u>	<u>\$ 12,276,868</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 296,059	\$ 294,347
Obligation under capital leases (Note 15)	417,473	479,456
Other liabilities	19,055	42,673
Total liabilities	<u>732,587</u>	<u>816,476</u>
<b>Net Assets</b>		
Unrestricted:		
Designated (Note 1)	9,804,031	8,787,413
Undesignated	<u>1,844,855</u>	<u>2,131,876</u>
Total unrestricted	11,648,886	10,919,289
Temporarily restricted (Note 9)	<u>245,406</u>	<u>541,103</u>
Total net assets	<u>11,894,292</u>	<u>11,460,392</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 12,626,879</u>	<u>\$ 12,276,868</u>

The accompanying notes are an integral part of the financial statements

# FOODSHARE, INC.

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Changes in Unrestricted Net Assets - Donated Food</b>		
Donated food	\$ 26,078,703	\$ 24,100,500
Donated food distributed	<u>(25,592,285)</u>	<u>(24,026,506)</u>
Net changes in unrestricted net assets - donated food	<u>486,418</u>	<u>73,994</u>
<b>Changes in Unrestricted Net Assets - Operations</b>		
Revenues and gains:		
Contributions	3,556,922	3,356,752
Handling fees and buying club revenues	655,829	700,496
Special fundraising event (Note 14)	388,388	423,804
Governmental grants	495,569	350,911
Net realized and unrealized gain on investments	283,476	59,908
Donated assets and services	54,273	58,744
Dividend and interest income	56,340	42,415
Miscellaneous revenue	<u>2,794</u>	<u>4,630</u>
	5,493,591	4,997,660
Net assets released from restrictions (Note 10)	<u>840,546</u>	<u>1,143,774</u>
Total unrestricted revenues and gains - operations	<u>6,334,137</u>	<u>6,141,434</u>
Expenses - operations:		
Program services:		
Food collection and distribution	3,370,494	3,555,498
Building a movement to solve hunger	983,143	837,922
Supporting services:		
Fundraising	982,919	1,076,469
Management and general	<u>754,402</u>	<u>710,473</u>
Total expenses - operations	<u>6,090,958</u>	<u>6,180,362</u>
Net changes in unrestricted net assets - operations	<u>243,179</u>	<u>(38,928)</u>
Increase in unrestricted net assets	<u>729,597</u>	<u>35,066</u>

The accompanying notes are an integral part of the financial statements

# FOODSHARE, INC.

## STATEMENTS OF ACTIVITIES (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions	\$ 544,849	\$ 1,069,917
Net assets released from restrictions	<u>(840,546)</u>	<u>(1,143,774)</u>
Decrease in temporarily restricted net assets	<u>(295,697)</u>	<u>(73,857)</u>
<b>Increase (Decrease) in Net Assets</b>	433,900	(38,791)
<b>Net Assets - Beginning of Year</b>	<u>11,460,392</u>	<u>11,499,183</u>
<b>Net Assets - End of Year</b>	<u>\$ 11,894,292</u>	<u>\$ 11,460,392</u>

The accompanying notes are an integral part of the financial statements

# FOODSHARE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			Total Expenses
	Food Collection and Distribution	Building a Movement to Solve Hunger	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Donated food distributed	\$ 25,592,285	\$ -	\$ 25,592,285	\$ -	\$ -	\$ -	\$ 25,592,285
Salaries	1,094,519	511,793	1,606,312	418,479	322,382	740,861	2,347,173
Payroll taxes and related benefits	328,297	162,146	490,443	143,608	111,757	255,365	745,808
Occupancy	409,420	46,634	456,054	88,692	30,085	118,777	574,831
Other food collection expenses	464,826	-	464,826	-	-	-	464,826
Purchased food	416,246	-	416,246	-	-	-	416,246
Depreciation and amortization	316,775	22,128	338,903	20,928	16,140	37,068	375,971
Professional fees	12,427	82,980	95,407	10,380	140,450	150,830	246,237
Other personnel expenses	67,829	21,456	89,285	64,332	82,615	146,947	236,232
Development and miscellaneous fundraising event expenses	-	-	-	102,074	-	102,074	102,074
Trucks	94,727	-	94,727	-	-	-	94,727
Supplies	54,958	33,143	88,101	2,243	2,961	5,204	93,305
Other	13,427	22,135	35,562	33,461	21,463	54,924	90,486
Printing and postage	2,880	27,822	30,702	49,365	4,195	53,560	84,262
Donated goods and services	30,989	11,758	42,747	8,085	3,441	11,526	54,273
Credit card, bank and investment management fees	-	-	-	33,215	13,904	47,119	47,119
Interest expense	41,215	-	41,215	-	665	665	41,880
Travel	16,509	12,994	29,503	5,956	1,922	7,878	37,381
Contributions to other organizations	-	23,880	23,880	-	-	-	23,880
Conferences and training	2,954	4,274	7,228	2,043	2,422	4,465	11,693
Feeding America fees	9,264	-	9,264	-	-	-	9,264
Advertising and promotion	232	-	232	58	-	58	290
Gain on disposal of equipment	(7,000)	-	(7,000)	-	-	-	(7,000)
	<u>\$ 28,962,779</u>	<u>\$ 983,143</u>	<u>\$ 29,945,922</u>	<u>\$ 982,919</u>	<u>\$ 754,402</u>	<u>\$ 1,737,321</u>	<u>\$ 31,683,243</u>

The accompanying notes are an integral part of the financial statements

# FOODSHARE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services			Supporting Services			Total Expenses
	Food Collection and Distribution	Building a Movement to Solve Hunger	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Donated food distributed	\$ 24,026,506	\$ -	\$ 24,026,506	\$ -	\$ -	\$ -	\$ 24,026,506
Salaries	1,156,313	475,187	1,631,500	503,926	369,155	873,081	2,504,581
Payroll taxes and related benefits	334,903	125,427	460,330	162,578	101,972	264,550	724,880
Occupancy	439,301	47,532	486,833	90,296	31,276	121,572	608,405
Other food collection expenses	458,941	-	458,941	-	-	-	458,941
Purchased food	486,905	-	486,905	-	-	-	486,905
Depreciation and amortization	308,458	19,164	327,622	22,788	15,564	38,352	365,974
Professional fees	33,972	59,794	93,766	17,371	109,862	127,233	220,999
Other personnel expenses	83,941	26,387	110,328	18,862	8,026	26,888	137,216
Development and miscellaneous fundraising event expenses	-	-	-	107,573	-	107,573	107,573
Trucks	103,357	-	103,357	-	-	-	103,357
Supplies	40,560	2,124	42,684	1,326	20,815	22,141	64,825
Other	16,170	10,746	26,916	30,002	13,904	43,906	70,822
Printing and postage	6,020	6,989	13,009	47,336	3,862	51,198	64,207
Donated goods and services	22,489	11,715	34,204	21,985	2,555	24,540	58,744
Credit card, bank and investment management fees	-	-	-	48,571	17,821	66,392	66,392
Interest expense	24,378	-	24,378	-	848	848	25,226
Travel	15,248	13,432	28,680	2,732	12,223	14,955	43,635
Contributions to other organizations	-	36,085	36,085	-	-	-	36,085
Conferences and training	1,912	3,340	5,252	1,103	2,590	3,693	8,945
Feeding America fees	9,292	-	9,292	-	-	-	9,292
Advertising and promotion	107	-	107	20	-	20	127
Loss on disposal of equipment	13,231	-	13,231	-	-	-	13,231
	<u>\$ 27,582,004</u>	<u>\$ 837,922</u>	<u>\$ 28,419,926</u>	<u>\$ 1,076,469</u>	<u>\$ 710,473</u>	<u>\$ 1,786,942</u>	<u>\$ 30,206,868</u>

The accompanying notes are an integral part of the financial statements

# FOODSHARE, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 433,900	\$ (38,791)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(283,476)	(59,908)
Depreciation and amortization	375,971	365,974
(Gain) loss on disposition of equipment	(7,000)	13,231
Bad debt expense (recovery)	(7,471)	19,071
Donated food received and distributed, net	(486,418)	(73,994)
(Increase) decrease in operating assets:		
Handling and buying club fees receivable, net	584	557
Contributions receivable, net	282,158	(163,319)
Government grants receivable	(167,936)	176,987
Prepaid expenses	57,560	(1,104)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,712	60,859
Other liabilities	(23,618)	11,883
Net cash provided by operating activities	<u>175,966</u>	<u>311,446</u>
<b>Cash Flows from Investing Activities</b>		
Net purchases of investments	(52,941)	(33,773)
Proceeds from disposition of land, building and equipment	7,000	45,000
Cash outlays for land, building and equipment	(131,268)	-
Net cash provided by (used in) investing activities	<u>(177,209)</u>	<u>11,227</u>
<b>Cash Flows from Financing Activities</b>		
Payments on obligation under capital leases	(61,983)	(38,104)
Net cash used in financing activities	<u>(61,983)</u>	<u>(38,104)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(63,226)	284,569
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,329,004</u>	<u>2,044,435</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,265,778</u>	<u>\$ 2,329,004</u>
<b>Cash Paid During the Year for Interest</b>	\$ 41,789	\$ 25,226

The accompanying notes are an integral part of the financial statements

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Foodshare, Inc., was incorporated in 1983 as a nonstock, nonprofit corporation. Its mission is to work to end hunger as a part of the overall community effort to alleviate poverty in Greater Hartford. Foodshare, Inc., accomplishes its mission by increasing individual and community awareness and action concerning hunger and poverty, their causes and potential solutions; developing an organized, integrated, accessible, cooperative, efficient and effective system to acquire and distribute food, especially food that would otherwise be wasted; and facilitating community collaborations. Foodshare, Inc., serves approximately 300 community kitchens, shelters, food pantries, senior centers, halfway houses and other social service programs in Hartford and Tolland counties.

#### Change in Accounting Principle

In July 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which simplifies the measurement of inventory. The amendments require that inventory accounted for using the first in, first out (FIFO) method be measured at the lower of cost and net realizable value. This ASU is effective for annual periods beginning after December 15, 2016. Foodshare, Inc., has adopted the amendments for the year ended December 31, 2017. The amendments have been applied prospectively. There was no material impact to the financial statements as a result of the change.

#### Basis of Accounting and Presentation

The financial statements of Foodshare, Inc., have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Foodshare, Inc., are reported in the following net asset categories:

##### Unrestricted Net Assets

These assets represent resources that may be expended at the discretion of the Board of Directors. Undesignated net assets, which were \$1,844,855 and \$2,131,876 at December 31, 2017 and 2016, respectively, represent the funds necessary to support operations and meet working capital needs. Foodshare, Inc., reports its changes in unrestricted net assets in two categories: donated food and operations.

The Board has identified the following designations of unrestricted net assets as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investment in land, building and equipment	\$ 4,148,416	\$ 4,454,637
Long-term investments	2,594,723	2,253,472
Food distribution	<u>3,060,892</u>	<u>2,079,304</u>
Total Designated Net Assets	<u>\$ 9,804,031</u>	<u>\$ 8,787,413</u>

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### **Temporarily Restricted Net Assets**

These assets represent resources that have donor- or grantor-imposed restrictions as to purpose or time of expenditure.

### **Permanently Restricted Net Assets**

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit Foodshare, Inc., to expend the income earned thereon. Foodshare, Inc., has no permanently restricted net assets.

### **Use of Estimates**

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. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Foodshare, Inc., considers all highly liquid investments with maturities of 90 days or less and cash in banks to be cash equivalents, exclusive of certain cash and short-term investments held in brokerage accounts, which are considered to be investments. Foodshare, Inc., maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. Foodshare, Inc., has not experienced any losses in such accounts. Foodshare, Inc., believes it is not exposed to any significant credit risk on cash and cash equivalents.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gain on investments includes Foodshare, Inc.'s gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income are classified as increases and decreases in unrestricted net assets.

Foodshare, Inc., has an investment policy with the intended objective of achieving balance between growth and income and to achieve market rates of return. Funds not designated for capital expenditure and not expected to be needed for a minimum of seven years may be invested on a long-term basis. Foodshare, Inc., annually determines the amount to be invested long-term. The investment portfolio consists of investments in cash, individual bonds, equity mutual and exchange traded funds and bond mutual and exchange traded funds.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### Inventory

Donated and purchased food inventory consists of perishable and nonperishable foods. The pricing of the donated inventory, donated food revenue and donated food distributed is determined based on a study commissioned by Feeding America, a national food bank network, of the average wholesale value of products donated to the network. Inventory acquired is stated at the values shown below:

<u>Inventory Type</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Donated inventory	\$1.73/pound	\$1.67/pound
Purchased inventory	Net realizable value	Cost (FIFO)

### Land, Building and Equipment

Land is stated at cost. Building and improvements, leasehold improvements, and other fixed asset acquisitions and improvements thereon that exceed \$10,000 are capitalized at cost and are depreciated on the straight-line method over their estimated useful lives as follows:

Building and improvements	3-30 years
Leasehold improvements	3 years
Equipment and computer software	2-10 years
Vehicles	7-10 years

### Capital Leases

Foodshare, Inc., leases trucks and copiers under capital lease agreements. The respective asset and liability under the capital lease are recorded at the value of the asset at the inception of the lease. The assets are amortized over their estimated useful lives.

### Grants and Contracts

Governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

### Contributions

Unconditional promises to give are recognized when pledged or received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one year are discounted to their present value. Foodshare, Inc., reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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Foodshare, Inc., reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Without donor stipulations about how long those assets must be maintained, Foodshare, Inc., reports expirations of donor restrictions when the assets are placed in service.

Included in unrestricted revenues and gains - food bank operations is \$252,912 and \$263,655 in 2017 and 2016, respectively, of contributions received through The United Way of Central and Northeastern Connecticut and other United Ways located throughout the country.

### Functional Allocation of Expenses

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

### Income Tax Status

Foodshare, Inc., is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity.

### Reclassifications

Certain amounts reported in prior periods have been reclassified in order to conform to the current year presentation.

### Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through June 7, 2018, which represents the date the financial statements were available to be issued.

## NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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 Foodshare, Inc., has the ability to access.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### **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 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's 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.

The following is a description of the valuation methodologies used for assets measured at fair value:

#### **Common Stocks**

Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

#### **Domestic Equity**

Domestic equity, which consists of exchange traded and mutual funds, is valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to outperform equity market indices on a risk-adjusted basis.

#### **International Equity**

International equity, which consists of exchange traded and mutual funds, is valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to outperform the non-U.S. equity market indices on a risk-adjusted basis.

#### **Fixed Income**

Fixed income consists of government and corporate bonds and exchange traded and mutual funds. Government bonds are valued at the closing price reported in the active market in which the individual securities are traded. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings. Exchange traded and mutual funds are valued at the closing price reported in the active market in which the individual securities are traded.

There have been no changes in the methodologies used at December 31, 2017 and 2016.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Foodshare, Inc., 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.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

The following is a summary of the source of fair value measurements for assets that are measured at fair value as of December 31, 2017 and 2016:

Description	December 31, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Domestic equity:				
Large cap	\$ 694,017	\$ 694,017	\$ -	\$ -
Mid cap	268,935	268,935	-	-
Small cap	267,824	267,824	-	-
Real estate	45,390	45,390	-	-
Commodities	44,571	44,571	-	-
International equity:				
Emerging markets	56,377	56,377	-	-
Developed	367,678	367,678	-	-
Fixed income:				
Government bonds	318,728	318,728	-	-
Corporate bonds	399,844	252,055	147,789	-
Cash held by portfolio managers	126,525	126,525	-	-
Total Assets at Fair Value	\$ 2,589,889	\$ 2,442,100	\$ 147,789	\$ -

Description	December 31, 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Domestic equity:				
Large cap	\$ 569,868	\$ 569,868	\$ -	\$ -
Mid cap	225,518	225,518	-	-
Small cap	230,411	230,411	-	-
Real estate	45,144	45,144	-	-
Commodities	44,826	44,826	-	-
International equity:				
Emerging markets	43,938	43,938	-	-
Developed	287,304	287,304	-	-
Fixed income:				
Government bonds	338,766	338,766	-	-
Corporate bonds	406,802	241,520	165,282	-
Cash held by portfolio managers	60,895	60,895	-	-
Total Assets at Fair Value	\$ 2,253,472	\$ 2,088,190	\$ 165,282	\$ -

There were no transfers between levels of investments during the years ended December 31, 2017 and 2016.

Short-term investments included in cash equivalents and held by the investment custodian totaled \$696,162 and \$608,068 at December 31, 2017 and 2016, respectively.

The change in unrealized gains (losses) relating to investments that are still held at year end is \$283,476 and (\$44,688) for the years ended December 31, 2017 and 2016, respectively.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 - HANDLING AND BUYING CLUB FEES RECEIVABLE

In the normal course of business, Foodshare, Inc., provides credit to partner agencies under standard terms without collateral. Handling fees receivable result from handling fees that are charged based on types of food distributed to partner agencies in Hartford and Tolland counties that are not for profit and tax exempt. These partner agencies operate community kitchens, food pantries, emergency shelters, senior feeding sites, child day care centers and other social service programs. Management maintains an allowance for doubtful accounts based on review of specific accounts and general historical experience. Refer to Note 6 for further information on buying club.

### NOTE 4 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable as of December 31, 2017 and 2016, are expected to be collected as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year:		
Other	\$ 213,340	\$ 458,995
Comprehensive campaign	<u>30,974</u>	<u>53,921</u>
Total receivable in less than one year	244,314	512,916
Receivable in one to five years:		
Comprehensive campaign	<u>-</u>	<u>17,786</u>
Total contributions receivable	244,314	530,702
Less allowance for uncollectible promises	(14,540)	(24,777)
Less discounts to net present value	<u>-</u>	<u>(1,464)</u>
Net Contributions Receivable	\$ <u>229,774</u>	\$ <u>504,461</u>

As of December 31, 2017, all contributions receivable are considered current and due in less than one year. As of December 31, 2016, contributions receivable expected to be received in more than one year are discounted at 4.5%, and this discount rate has been used since inception.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5 - DONATED FOOD INVENTORY

The following presents a summary of food donated and distributed for the years ended December 31, 2017 and 2016:

	<u>2017</u>	
	<u>Weight (in Pounds)</u>	<u>Estimated Wholesale Value</u>
Donated food inventory - beginning of year	1,205,635	\$ 2,013,411
Donated food received	15,107,025	26,078,703
Less donated food distributed	<u>(14,867,672)</u>	<u>(25,592,285)</u>
Donated Food Inventory - End of Year	<u>1,444,988</u>	<u>\$ 2,499,829</u>
	<u>2016</u>	
	<u>Weight (in Pounds)</u>	<u>Estimated Wholesale Value</u>
Donated food inventory - beginning of year	1,140,834	\$ 1,939,418
Donated food received	14,459,619	24,100,500
Less donated food distributed	<u>(14,394,818)</u>	<u>(24,026,507)</u>
Donated Food Inventory - End of Year	<u>1,205,635</u>	<u>\$ 2,013,411</u>

### NOTE 6 - PURCHASED FOOD PROGRAMS

In addition to donated food programs, Foodshare, Inc., distributes food that has been purchased with its own funds and with donors' monetary contributions. These programs consist of the buying club, Emergency Food and Shelter Program (EFSP) and other miscellaneous programs. The buying club, established with a contribution from the Hartford Foundation for Public Giving (HFPG), allows Foodshare, Inc., to purchase in bulk products that are not normally donated. The participating agencies may purchase these products from Foodshare, Inc., to supplement the products that are donated. The buying club purchased products on hand were \$33,477 and \$43,649 at December 31, 2017 and 2016, respectively. The EFSP purchased products on hand were \$1,744 and \$22,244 at December 31, 2017 and 2016, respectively.

Foodshare, Inc.'s purchased food programs accounted for approximately 559,800 and 640,800 additional pounds of food distributed in 2017 and 2016, respectively.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consisted of the following at December 31, 2017 and 2016:

	2017		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 428,636	\$ -	\$ 428,636
Building and improvements	5,287,088	1,676,819	3,610,269
Leasehold improvements	70,519	65,989	4,530
Equipment and computer software	933,135	840,440	92,695
Vehicles	755,449	202,189	553,260
Total	<u>\$ 7,474,827</u>	<u>\$ 2,785,437</u>	<u>\$ 4,689,390</u>

  

	2016		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 428,636	\$ -	\$ 428,636
Building and improvements	5,287,088	1,500,131	3,786,957
Leasehold improvements	70,519	59,953	10,566
Equipment and computer software	933,135	755,588	177,547
Vehicles	727,052	196,665	530,387
Total	<u>\$ 7,446,430</u>	<u>\$ 2,512,337</u>	<u>\$ 4,934,093</u>

### NOTE 8 - LINE OF CREDIT

Foodshare, Inc., opened a revolving line of credit during 2016 with Pershing LLC that provides up to \$834,000 in borrowings. Interest charged may not exceed a rate equal to three percentage points above the prime rate as published by *The Wall Street Journal*. The loan is secured by certain investments held by Foodshare, Inc. As of December 31, 2017, there was no outstanding balance on this line of credit.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes or future periods at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose restrictions:		
Food collection and distribution	\$ 151,672	\$ 277,637
Management and general	47,300	47,600
Comprehensive campaign	46,434	80,466
Building a movement to solve hunger	<u>-</u>	<u>135,400</u>
Total Temporarily Restricted Net Assets	<u>\$ 245,406</u>	<u>\$ 541,103</u>

### NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by satisfying the following time and purpose restrictions:

	<u>2017</u>	<u>2016</u>
Purpose restrictions:		
Food collection and distribution	\$ 579,887	\$ 678,052
Building a movement to solve hunger	219,492	409,712
Management and general	<u>41,167</u>	<u>56,010</u>
Total Temporarily Restricted Net Assets Released from Restriction	<u>\$ 840,546</u>	<u>\$ 1,143,774</u>

### NOTE 11 - PARTNERSHIP PROGRAM

Foodshare, Inc., maintains the Partnership Program to provide financial assistance to partner agencies and Hunger Action Teams in which partner agencies participate. The program allows partner agencies to obtain credits to their handling fee accounts. Foodshare, Inc., also provides financial assistance to eligible organizations to purchase the capital equipment needed to distribute food to hungry people, promote self-sufficiency, promote full utilization of existing federal food assistance programs and more broadly engage the community in efforts to solve hunger. Amounts distributed through the Partnership Program were \$23,800 and \$30,000 during 2017 and 2016, respectively, and are included in the contributions to other organizations expense on the statements of functional expenses.

# **FOODSHARE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 12 - CASH FLOWS**

#### **Noncash Operating Activities**

During the years ended December 31, 2017 and 2016, Foodshare, Inc., received \$26,078,703 and \$24,100,500 of donated food and \$54,273 and \$58,744 of donated goods and services, respectively.

#### **Noncash Investing Activities**

Foodshare, Inc., had land, building and equipment dispositions of \$102,870 and \$328,392 during the years ended December 31, 2017 and 2016, respectively.

#### **Noncash Financing Activities**

Foodshare, Inc., acquired three new trucks by executing two new capital leases of \$330,976 and \$165,488 during the year ended December 31, 2016.

### **NOTE 13 - CONTRIBUTED VOLUNTEER SERVICES**

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting Foodshare, Inc.'s mission. During 2017 and 2016, volunteer hours totaled approximately 45,200 and 44,100 with an estimated value of \$1,324,000 and \$1,225,000, respectively. These amounts have not been recognized in the financial statements.

### **NOTE 14 - SPECIAL EVENT FUNDRAISING**

Foodshare, Inc., sponsors the annual Walk Against Hunger. Based on predetermined criteria, participants are able to designate a portion of the funds raised to certain anti-hunger programs throughout Hartford and Tolland counties. The amount distributed to other programs was \$130,217 and \$139,675 in 2017 and 2016, respectively.

### **NOTE 15 - COMMITMENTS AND CONTINGENCIES**

#### **Capital Leases**

Foodshare, Inc., entered into a capital financing lease arrangement for copiers during 2014, expiring in 2019. The copiers' net book value was \$7,947 and \$13,908 as of December 31, 2017 and 2016, respectively.

Foodshare, Inc., entered into two capital financing lease agreements for trucks during 2016, expiring in 2023. The trucks' net book value was \$357,431 and \$445,242 as of December 31, 2017 and 2016.

# FOODSHARE, INC.

## NOTES TO FINANCIAL STATEMENTS

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Expected future minimum annual lease payments for the above lease are as follows:

### Year Ending December 31

2018	\$	103,250
2019		99,351
2020		96,566
2021		96,566
2022		96,566
Thereafter		39,716
Total minimum lease payments		<u>532,015</u>
Less amount representing interest		<u>(114,542)</u>
Capital Lease Obligation	\$	<u><u>417,473</u></u>

Interest paid on capital leases totaled \$41,789 and \$25,226 for the years ended December 31, 2017 and 2016, respectively.

### **Operating Lease**

Foodshare, Inc., re-entered into an operating lease agreement for space at the Connecticut Regional Market in Hartford, Connecticut. The lease is month to month, and rental expense for the lease totaled \$18,532 and \$18,602 for the years ended December 31, 2017 and 2016, respectively, which is one-half the market rate. Foodshare, Inc., recognizes the other half of the market rate as a donated service in the amount equal to the rent paid under the lease agreement.

### **NOTE 16 - EMPLOYEE BENEFIT PLAN**

In 2009, Foodshare, Inc., established a 403(b) combination annuity contract plan and custodial account plan. Employee contributions under the plan are determined by the participating employees, subject to certain Internal Revenue Service limitations, and Foodshare, Inc., matches employee contributions at a rate of 1% of compensation, up to a maximum of 5%, based on years of service. Foodshare, Inc., contributions totaled \$50,335 and \$59,182 for the years ended December 31, 2017 and 2016, respectively.

### **NOTE 17 - ENDOWMENT FUND**

HFGP was the direct recipient of donations made to establish and maintain the Gloria J. McAdam Fund for Foodshare, of which Foodshare, Inc., is the income beneficiary, subject to HFGP's spending policy. Pursuant to the terms of the agreement, HFGP owns and manages the assets and is required to make distributions from the Fund to Foodshare, Inc., on an annual basis. Foodshare, Inc., received \$-0- and \$1,476 from the Fund for the years ended December 31, 2017 and 2016, respectively. The Fund's value was \$43,124 and \$37,039 as of December 31, 2017 and 2016, respectively. Due to the nature of the Fund, Foodshare, Inc., does not recognize the assets of the Fund in its financial statements.