

**AUDITED
FINANCIAL STATEMENTS**

**As of and for the Years Ended
September 30, 2017 and 2016**



**Food Finders
Food Bank, Inc.**
fighting hunger, giving hope

**FEEDING[®]
AMERICA**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Food Finders Food Bank, Inc.
Lafayette, Indiana

We have audited the accompanying financial statements of Food Finders Food Bank, Inc. (a nonprofit Organization), which comprise the statements of financial position as of September 30, 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. 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 Food Finders Food Bank, Inc. as of September 30, 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.

Girardot, Strauch & Co.

Lafayette, Indiana

August 14, 2018

FOOD FINDERS FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 69,667	\$ 261,047
Accounts receivable	134,141	64,533
Unconditional promises to give - current portion	364,418	311,268
Grants receivable	271,723	15,927
Inventory	872,982	528,665
Prepaid expenses and other assets	21,982	21,314
Total Current Assets	1,734,913	1,202,754
PROPERTY AND EQUIPMENT, NET	4,584,040	4,629,352
OTHER ASSETS		
Unconditional promises to give	36,500	123,555
Investments	442,734	299,332
Community Foundation Investment	31,922	29,671
Beneficial interest in trusts	229,821	447,361
Total Other Assets	740,977	899,919
Total Assets	\$ 7,059,930	\$ 6,732,025
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 329,835	\$ 89,474
Unearned revenue	82,986	35,651
Funds held for others	16,649	51,248
Withheld and accrued taxes	9,513	7,330
Accrued payroll and vacation	67,847	56,222
Note payable to bank	-	612
Total Current Liabilities	506,830	240,537
NET ASSETS		
Unrestricted		
Operating	181,380	679,254
Designated	546,564	406,736
Property and equipment	4,584,040	4,629,352
Total Unrestricted	5,311,984	5,715,342
Temporarily restricted	1,055,225	602,715
Permanently restricted	185,891	173,431
Total Net Assets	6,553,100	6,491,488
	\$ 7,059,930	\$ 6,732,025

See Accompanying Notes to Financial Statements

FOOD FINDERS FOOD BANK, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
United Way	\$ -	\$ 221,000	\$ -	\$ 221,000	\$ -	\$ 85,192	\$ -	\$ 85,192
Contributions	669,642	902,033	-	1,571,675	620,636	3,322,053	-	3,942,689
Fundraising - Special Events	285,746	-	-	285,746	238,960	-	-	238,960
Grants	392,437	267,538	-	659,975	106,198	232,347	-	338,545
Donated inventory	-	10,712,984	-	10,712,984	-	8,301,401	-	8,301,401
Product sales	550,220	-	-	550,220	594,674	-	-	594,674
Investment income	52,770	3,670	-	56,440	31,946	2,785	-	34,731
Change in value of perpetual trust	-	-	12,460	12,460	-	-	10,270	10,270
Miscellaneous	2,784	-	-	2,784	1,101	-	-	1,101
Total Support and Revenue	1,953,599	12,107,225	12,460	14,073,284	1,593,515	11,943,778	10,270	13,547,563
NET ASSETS RELEASED FROM RESTRICTIONS								
Donated inventory distributed	10,469,753	(10,469,753)	-	-	8,583,240	(8,583,240)	-	-
United Way	176,844	(176,844)	-	-	218,983	(218,983)	-	-
Capital Campaign	84,533	(84,533)	-	-	2,807,710	(2,807,710)	-	-
Programs and equipment	923,585	(923,585)	-	-	780,221	(780,221)	-	-
	13,608,314	452,510	12,460	14,073,284	13,983,669	(446,376)	10,270	13,547,563
EXPENSES								
Program Services								
Distribution	6,281,297	-	-	6,281,297	7,102,635	-	-	7,102,635
Outreach	7,014,746	-	-	7,014,746	3,784,708	-	-	3,784,708
Total Program Services	13,296,043	-	-	13,296,043	10,887,343	-	-	10,887,343
Supporting Services								
Fundraising	317,807	-	-	317,807	361,556	-	-	361,556
Management and general	397,822	-	-	397,822	437,402	-	-	437,402
Total Supporting Services	715,629	-	-	715,629	798,958	-	-	798,958
Total Expenses	14,011,672	-	-	14,011,672	11,686,301	-	-	11,686,301
CHANGES IN NET ASSETS	(403,358)	452,510	12,460	61,612	2,297,368	(446,376)	10,270	1,861,262
NET ASSETS BEGINNING OF YEAR	5,715,342	602,715	173,431	6,491,488	3,417,974	1,049,091	163,161	4,630,226
NET ASSETS END OF YEAR	\$ 5,311,984	\$ 1,055,225	\$ 185,891	\$ 6,553,100	\$ 5,715,342	\$ 602,715	\$ 173,431	\$ 6,491,488

See Accompanying Notes to Financial Statements

FOOD FINDERS FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2017

	Program Services			Supporting Services			Total
	Distribution	Outreach	Total Program Services	Fund-Raising	Mgmt and General	Total Supporting Services	
Purchased food	\$ 386,998	\$ 715,113	\$ 1,102,111	\$ -	\$ -	\$ -	\$ 1,102,111
Donated food	5,350,318	5,119,434	10,469,752	-	-	-	10,469,752
Salaries	187,637	585,018	772,655	115,086	189,917	305,003	1,077,658
Employee benefits	29,307	91,373	120,680	17,975	29,662	47,637	168,317
Payroll taxes	14,992	46,741	61,733	9,195	15,174	24,369	86,102
Professional fees	6,227	-	6,227	104,556	42,221	146,777	153,004
Supplies	16,699	121,103	137,802	65,644	2,471	68,115	205,917
Telephone	-	-	-	-	19,525	19,525	19,525
Postage	6,150	3,393	9,543	3,319	1,061	4,380	13,923
Occupancy	37,679	105,036	142,715	-	15,857	15,857	158,572
Printing	-	3,041	3,041	-	1,570	1,570	4,611
Transportation	80,090	95,525	175,615	-	-	-	175,615
Conferences, subs & dues	-	31,207	31,207	2,032	11,349	13,381	44,588
Equipment repair & maint.	10,967	-	10,967	-	-	-	10,967
Depreciation	153,374	97,762	251,136	-	50,690	50,690	301,826
Loss on sale of assets	-	-	-	-	-	-	-
Financial assistance	859	-	859	-	-	-	859
Interest expense	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	18,325	18,325	18,325
	<u>\$ 6,281,297</u>	<u>\$ 7,014,746</u>	<u>\$ 13,296,043</u>	<u>\$ 317,807</u>	<u>\$ 397,822</u>	<u>\$ 715,629</u>	<u>\$ 14,011,672</u>

See Accompanying Notes to Financial Statements

FOOD FINDERS FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2016

	Program Services			Supporting Services			Total
	Distribution	Outreach	Total Program Services	Fund-Raising	Mgmt and General	Total Supporting Services	
Purchased food	\$ 405,013	\$ 522,482	\$ 927,495	\$ -	\$ -	\$ -	\$ 927,495
Donated food	6,027,797	2,555,443	8,583,240	-	-	-	8,583,240
Salaries	273,925	357,669	631,594	152,015	173,561	325,576	957,170
Employee benefits	42,134	55,015	97,149	23,382	26,695	50,077	147,226
Payroll taxes	20,243	26,431	46,674	11,234	12,826	24,060	70,734
Professional fees	13,926	-	13,926	105,502	36,063	141,565	155,491
Supplies	37,308	68,353	105,661	57,115	40,821	97,936	203,597
Telephone	-	-	-	-	6,303	6,303	6,303
Postage	4,711	2,599	7,310	5,025	814	5,839	13,149
Occupancy	56,944	59,704	116,648	-	12,961	12,961	129,609
Printing	-	3,617	3,617	-	3,541	3,541	7,158
Transportation	102,419	47,148	149,567	-	-	-	149,567
Conferences, subs & dues	-	27,938	27,938	7,283	17,027	24,310	52,248
Equipment repair & maint.	11,790	-	11,790	-	-	-	11,790
Depreciation	105,038	58,309	163,347	-	21,894	21,894	185,241
Loss on sale of assets	-	-	-	-	52,257	52,257	52,257
Financial assistance	1,387	-	1,387	-	-	-	1,387
Interest expense	-	-	-	-	13,361	13,361	13,361
Miscellaneous	-	-	-	-	19,278	19,278	19,278
	<u>\$ 7,102,635</u>	<u>\$ 3,784,708</u>	<u>\$ 10,887,343</u>	<u>\$ 361,556</u>	<u>\$ 437,402</u>	<u>\$ 798,958</u>	<u>\$ 11,686,301</u>

See Accompanying Notes to Financial Statements

FOOD FINDERS FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions and grants	\$ 2,422,572	\$ 2,015,201
Product sales and other	530,731	586,700
Interest received	12,115	16,780
Cash paid to suppliers and employees	(3,087,678)	(2,926,328)
Interest paid	-	(13,361)
Net Cash Used by Operating Activities	(122,260)	(321,008)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	3,600
Insurance proceeds from roof collapse	-	253,214
Purchase of property and equipment	(247,408)	(3,437,008)
Purchase of investments	(153,489)	(61,953)
Proceeds from sale of investments	332,389	149,029
Net Cash Used by Investing Activities	(68,508)	(3,093,118)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	-	903,612
Payments on borrowings	(612)	(55,900)
Contributions restricted to long-term purpose	-	2,428,617
Net Cash Provided (Used) by Financing Activities	(612)	3,276,329
DECREASE IN CASH AND CASH EQUIVALENTS	(191,380)	(93,797)
BEGINNING CASH AND CASH EQUIVALENTS	261,047	354,844
ENDING CASH AND CASH EQUIVALENTS	\$ 69,667	\$ 261,047

See Accompanying Notes to Financial Statements

FOOD FINDERS FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2017 and 2016

**RECONCILIATION OF CHANGES IN NET ASSETS
TO NET CASH USED BY OPERATING ACTIVITIES**

	<u>2017</u>	<u>2016</u>
CHANGES IN NET ASSETS	\$ 61,612	\$ 1,861,262
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation	301,826	185,241
Gain on investments	(42,434)	(17,411)
Reinvested interest and dividends	(1,891)	(540)
Loss on sale of fixed assets	-	52,257
Contributions restricted to long-term purpose	-	(2,428,617)
Donated property	(9,107)	(101,594)
Donated interest in a trust	-	(273,930)
Donated investments	(50,227)	(53,569)
Net change in beneficial interest in trust	(12,460)	(10,270)
(INCREASE) DECREASE IN ASSETS		
Accounts receivable	(69,608)	(5,384)
Unconditional promises to give	33,905	248,381
Grants receivable	(255,796)	11,896
Inventory	(344,317)	317,940
Prepaid expenses and other assets	(668)	(6,278)
INCREASE (DECREASE) IN LIABILITIES		
Accounts payable	240,361	(119,922)
Unearned revenue	47,335	(3,691)
Funds held for others	(34,599)	51,248
Withheld and accrued taxes	2,183	(1,348)
Accrued payroll and vacation	<u>11,625</u>	<u>17,321</u>
TOTAL ADJUSTMENTS	<u>(183,872)</u>	<u>(2,138,270)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (122,260)</u>	<u>\$ (277,008)</u>

See Accompanying Notes to Financial Statements

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Food Finders Food Bank, Inc. (the Organization) serves the citizens of Mid-North Indiana by providing distribution of surplus food and non-food products and outreach programs including Back Pack, Summer Feeding, Mobile Pantry, Food Box, Food Resource and Education Center, and Senior Grocery. The Organization is supported primarily through grants and donations. Approximately 76% and 62% of the Organization's support and revenue for the years ended September 30, 2017 and 2016 came from donated product. Thus relying on donated product is an operating risk for the Organization.

Basis of Presentation

The Organization is required to report 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.

Functional Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the benefited programs and supporting services.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 reclassified to unrestricted net assets.

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received within one year or less. Promises expected to be collected in more than one year are reported at fair value computed using present value techniques.

The Organization uses the allowance method to estimate uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Products and Services

During the years ended September 30, 2017 and 2016, the value of contributed food product meeting the requirements for recognition in the financial statements was \$10,712,702 and \$8,301,401, respectively, and has been recorded at an estimated wholesale value provided by Feeding America. During the year ended September 30, 2017, program expenses valued at \$37,157 and fundraising costs of \$20,372 were contributed. During the year ended September 30, 2016, program expenses valued at \$29,220 and fundraising costs of \$11,013 were contributed.

Individuals volunteered 27,516 and 25,033 hours of their time to perform a variety of tasks that assist the Organization in achieving the goals of its programs during the years ended September 30, 2017 and 2016, respectively. None of these services required specialized skills.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents except for cash equivalents held in the long-term investment accounts.

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

Shipping and Handling Costs

The cost of shipping and handling to distribute the food is considered a functional program expense and is included on the Statements of Functional Expenses as transportation expense.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Finance charges are not assessed by the Organization.

Credit is granted to Organizations, schools and churches located primarily in Mid-North Indiana.

Grants receivable

Certain grants are paid on a reimbursement basis. Grants receivable include grant expenditures paid but not yet received.

Inventory

Effective in 2017, Food Finders Food Bank, Inc. adopted Accounting Standards Update (ASU) 2015-11, Inventory (Topic 330)-Simplifying the Measurement of Inventory to simplify the measurement of its inventory. In accordance with ASU 2015-11, Food Finders Food Bank, Inc. is required to measure its inventory at the lower of cost and net realizable value.

Inventory consists of purchased and donated food. Purchased food is valued at the lower of cost and net realizable value, using the first-in, first-out method (FIFO). Net realizable value is defined as the estimated selling prices of the inventory in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. Donated food is valued at the estimated wholesale value based on a cost study conducted for Feeding America (a third party network for food banks) of \$1.73 (effective July 1, 2017) and \$1.67 (effective July 1, 2016), respectively.

For the year ended 2016, Food Finders Food Bank, Inc. valued its purchased food inventory at lower of cost or market, using the first-in, first-out (FIFO) method. The September 30, 2016 inventory was not re-measured to reflect the change made by ASU-2015-11.

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Property and equipment are being depreciated over the estimated useful lives of five to thirty-nine years using a straight-line method. Property and equipment purchases over \$500 are capitalized. Maintenance and repairs are charged to expense as incurred. Property and equipment is reviewed for impairment annually.

Investments

Investments are stated at their fair market value.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management Review

Management has evaluated subsequent events through August 14, 2018, the date which the financial statements were available to be issued.

PROMISES TO GIVE

Unconditional promises to give at September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
United Way allocation	\$ 107,990	\$ 63,833
Backpack program	32,893	31,715
Mobile Pantry	4,009	1,000
Network for Good	3,431	985
Capital Campaign	<u>252,595</u>	<u>337,290</u>
Total unconditional promises to give	<u>\$ 400,918</u>	<u>\$ 434,823</u>

Unconditional Promises to give at September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Unconditional Promises to Give	\$ 412,433	\$ 442,272
Less discounts to net present value (4% discount rate)	<u>(11,515)</u>	<u>(7,449)</u>
Net Unconditional Promises to Give	<u>\$ 400,918</u>	<u>\$ 434,823</u>

Amounts due in:

Less than one year	\$ 364,418	\$ 311,268
One to five years	<u>36,500</u>	<u>123,555</u>
	<u>\$ 400,918</u>	<u>\$ 434,823</u>

INVENTORY

Inventory consisted of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purchased inventory	\$ 262,949	\$ 161,580
Donated inventory	<u>610,033</u>	<u>367,085</u>
	<u>\$ 872,982</u>	<u>\$ 528,665</u>

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 117,754	\$ 85,754
Buildings	4,324,741	4,219,878
Equipment & Vehicles	<u>1,019,625</u>	<u>899,974</u>
	5,462,120	5,205,606
Less accumulated depreciation	<u>878,080</u>	<u>576,254</u>
	<u>\$ 4,584,040</u>	<u>\$ 4,629,352</u>

INVESTMENTS

Investments and cumulative unrealized gains and losses consisted of the following at September 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Carrying</u>	<u>Unrealized</u>	<u>Carrying</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Gains</u>	<u>Value</u>	<u>Gains</u>
		<u>(Losses)</u>		<u>(Losses)</u>
Corporate bonds	\$ -	\$ -	\$ 50,349	\$ 90
Mutual funds, ETFs & CEFs	<u>442,734</u>	<u>36,071</u>	<u>248,983</u>	<u>49,579</u>
Total Investments	<u>\$ 442,734</u>	<u>\$ 36,071</u>	<u>\$ 299,332</u>	<u>\$ 49,669</u>
Community Foundation Investment	<u>\$ 31,922</u>	<u>\$ 3,974</u>	<u>\$ 29,671</u>	<u>\$ 73</u>

Investment income consisted of the following for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 17,224	\$ 19,550
Realized gains	2,461	8,928
Unrealized gains	39,973	8,484
Fees	<u>(3,218)</u>	<u>(2,231)</u>
Total Investment Income	<u>\$ 56,440</u>	<u>\$ 34,731</u>

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

BENEFICIAL INTEREST IN TRUST

The Organization is the beneficiary of a trust held by others set up to support the Organization activities. Each year the income is distributed to this Organization without restrictions. The corpus of the trust is permanently restricted, never to be distributed and is reported at its current fair market value. The fair market value of the Organization's beneficial interest in the trust increased by \$12,460 and increased by \$10,270 during the years ended September 30, 2017 and 2016, respectively. Distributions from the trust were \$1,500 and \$1,137 during the years ended September 30, 2017 and 2016. The fair market value of the Organization's interest in the trust was \$185,891 and \$173,431 at September 30, 2017 and 2016.

During the year ended September 30, 2016, the Organization received a contribution of a beneficial interest in a second trust with a fair market value of \$273,930 at September 30, 2016. This trust is not restricted and the corpus plus any earnings is expected to be distributed to the Organization. As of September 30, 2017, \$230,000 had been distributed to the Organization.

DESIGNATED NET ASSETS

The Board of Directors has designated a portion of unrestricted net assets for the following purposes:

Operating Reserve – funds set aside to be used to meet short term operating shortages.

Capital Reserve – funds set aside for equipment purchases or replacements, building modifications, or other expenditures of long term asset acquisitions.

Food Acquisition and Distribution Reserve – funds to be reserved for major unanticipated expenditures.

Endowment - funds to be reserved for perpetuity.

Designated Net Assets are to be maintained and distributed according to the Board approved investment and spending policy.

The following are the net assets designated by the board of directors at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Operating Reserve	\$ 95,000	\$ 95,000
Capital Reserve	73,830	73,830
Food Acquisition and Distribution Reserve	352,734	212,906
Endowment	<u>25,000</u>	<u>25,000</u>
	<u>\$ 546,564</u>	<u>\$ 406,736</u>

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016

TEMPORARILY RESTRICTED NET ASSETS

Net assets with donor restrictions were as follows at September 30, 2017:

Restriction	Beginning Balance	Temporarily Restricted Contribution	Released From Restriction	Transferred	Ending Balance
Sale of donated food	\$ 367,085	\$ 10,712,984	\$ (10,469,753)	\$ -	\$ 610,316
McAllister program	17,363	-	-	(17,363)	-
United Way allocation	63,833	221,000	(176,844)	-	107,989
Backpack program	40,200	529,762	(467,001)	-	102,961
School Pantries	65,406	35,584	(38,999)	-	61,991
Mobile Pantry and Food Box	7,000	147,056	(144,306)	-	9,750
Senior Program	-	18,834	(15,642)	-	3,192
Summer Feeding program	10,000	79,795	(89,795)	-	-
Deer processing	840	-	(840)	-	-
Bornlearning	-	41,785	(41,785)	-	-
FREC	30,988	73,196	(121,547)	17,363	-
Capital campaign	-	93,559	(84,533)	-	9,026
Endowment earnings	-	3,670	(3,670)	-	-
Other	-	150,000	-	-	150,000
	<u>\$ 602,715</u>	<u>\$ 12,107,225</u>	<u>\$ (11,654,715)</u>	<u>\$ -</u>	<u>\$ 1,055,225</u>

Net assets with donor restrictions were as follows at September 30, 2016:

Restriction	Beginning Balance	Temporarily Restricted Contribution	Released From Restriction	Transferred	Ending Balance
Sale of donated food	\$ 648,924	\$ 8,301,401	\$ (8,583,240)	\$ -	367,085
McAllister program	42,119	2,500	(27,256)	-	17,363
United Way allocation	197,625	85,192	(218,984)	-	63,833
Backpack program	128,438	446,981	(449,713)	(85,506)	40,200
School Pantries	-	33,696	(53,796)	85,506	65,406
Mobile Pantry and Food Box	31,145	68,882	(93,027)	-	7,000
Senior Program	-	740	(740)	-	-
Summer Feeding program	-	99,142	(89,142)	-	10,000
Deer processing	840	-	-	-	840
Bornlearning	-	30,239	(30,239)	-	-
FREC	-	60,000	(29,012)	-	30,988
Capital campaign	-	2,807,710	(2,807,710)	-	-
Endowment earnings	-	2,785	(2,785)	-	-
Other	-	4,510	(4,510)	-	-
	<u>\$ 1,049,091</u>	<u>\$ 11,943,778</u>	<u>\$ (12,390,154)</u>	<u>\$ -</u>	<u>\$ 602,715</u>

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
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ENDOWMENT INVESTMENTS HELD BY OTHERS

The Organization has established a fund at The Greater Lafayette Community Foundation with board designated endowment funds of \$25,000. The fund is stated at fair market value. The income, losses and fees on the investments are allocated based on contributed amounts and are recorded as changes in temporarily restricted net assets. The Foundation has been granted variance powers over these funds.

As an organization subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), the Financial Accounting Standards Board provides guidance on the net asset classification of donor-restricted endowment funds and concerning disclosures about the organization's endowment funds (including board designated endowments). The organization has not received any donor restricted endowment funds at this time.

Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives

The Organization has not adopted investment and spending policies for endowment assets. The Organization maintains its endowment with the Greater Lafayette Community Foundation and allows the Foundation to determine the investment strategy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Income received from the Board Designated Endowment Fund is restricted for the programs of the Organization as approved by management.

The composition of net endowment assets by type of fund as of September 30, 2017 and 2016 and changes in the net endowment assets for the years ended September 30, 2017 and 2016 are as follows:

	Board Designated	Temporarily	Permanently	Total Net
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Endowment</u>
				<u>Assets</u>
Beginning Balance 10-1-2016	\$ 25,000	\$ -	\$ -	\$ 25,000
Earnings, net of fees	-	540	-	540
Unrealized gain (loss)	-	2,226	-	2,226
Realized gain	-	19	-	19
Released from restriction	-	(2,785)	-	(2,785)
Ending Balance 9-30-2016	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Earnings, net of fees	-	557	-	557
Unrealized gain (loss)	-	3,901	-	3,901
Realized gain	-	(788)	-	(788)
Released from restriction	-	(3,670)	-	(3,670)
Ending Balance 9-30-2017	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
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FAIR VALUE MEASUREMENTS

The Organization follows the accounting standard related to Fair Value Measurements. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of fair value hierarchy are as follows:

Level 1 – Quoted Prices in Active Markets for Identical Assets: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Significant Other Observable Inputs: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Significant Unobservable Inputs: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's fair value measurement level within 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. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Unconditional Promises to Give are valued at the present value of expected future cash flows. Money fund, mutual funds, CEFs and ETFs are valued at the net asset value of shares held by the plan at year end.

Community Foundation investment - The fair value of the endowment investment held by the Greater Lafayette Community Foundation is represented to be determined by reference to quoted market prices and other relevant information generated by market transactions.

Beneficial Interest in Perpetual Trust is valued at the beneficial interest in the perpetual trust using the market approach provided by the trustee and is based on the composite of investments held in the trust.

There were no transfers between levels or changes in the methodologies used for valuation during the years ended September 30, 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 the Organization believes its valuation methodologies 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.

FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
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FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at September 30, 2017 and 2016:

	2017			
	Fair Value	Level 1	Level 2	Level 3
Corporate Bonds	-	-	-	-
Mutual Funds, CEFs & ETFs	442,734	442,734	-	-
Total Investments	<u>\$ 442,734</u>	<u>\$ 442,734</u>	<u>\$ -</u>	<u>\$ -</u>
Unconditional Promises to Give	<u>\$ 400,918</u>	<u>\$ -</u>	<u>\$ 400,918</u>	<u>\$ -</u>
Community Foundation Investment	<u>\$ 31,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,922</u>
Beneficial interest in perpetual trust	<u>\$ 229,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,821</u>
	2016			
	Fair Value	Level 1	Level 2	Level 3
Corporate Bonds	50,349	-	50,349	-
Mutual Funds, CEFs & ETFs	248,983	248,983	-	-
Total Investments	<u>\$ 299,332</u>	<u>\$ 248,983</u>	<u>\$ 50,349</u>	<u>\$ -</u>
Unconditional Promises to Give	<u>\$ 434,823</u>	<u>\$ -</u>	<u>\$ 434,823</u>	<u>\$ -</u>
Community Foundation Investment	<u>\$ 29,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,671</u>
Beneficial interest in perpetual trust	<u>\$ 447,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 447,361</u>

Level 3

The changes in the community foundation investment are presented in the Statement of Activities as a decrease in temporarily restricted net assets.

	2017	2016
Beginning balance	\$ 29,671	\$ 28,169
Earnings, net of fees	557	540
Unrealized gain (loss)	3,901	2,226
Realized gain (loss)	(788)	19
Grant	(1,419)	(1,283)
Ending Balance	<u>\$ 31,922</u>	<u>\$ 29,671</u>

The change in value of the Organization's interest in perpetual trusts is presented in the Statement of Activities as an increase (decrease) in permanently restricted net assets.

	2017	2016
Beginning balance	\$ 447,361	\$ 163,161
Contribution of interest in trust	-	273,930
Distribution	(230,000)	-
Change in value	12,460	10,270
Ending Balance	<u>\$ 229,821</u>	<u>\$ 447,361</u>

FOOD FINDERS FOOD BANK, INC.
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FUNDS HELD FOR OTHERS

During the years ended September 30, 2017 and 2016, the Organization received \$75,000 and \$124,603 from a granting source and agreed to distribute funds on behalf of this granting source. Distributions of \$109,958 and \$73,355 were made during the years leaving a balance of \$16,649 and \$51,248 yet to be distributed.

NOTES PAYABLE TO BANK

The organization entered into a Construction Loan Agreement with a bank in October 2015 to assist with cash flow during the remodeling of its new facility. The loan was a 3.9% \$450,000 line of credit to be drawn on as needed. As of September 30, 2016, the balance drawn on the loan was \$612. The loan was paid in full in March 2017.

PENSION PLAN

A 403(b) pension plan covering all full time employees is maintained by the agency. Contributions are made at a rate of 5% of wages for each participant. The Organization paid in \$46,805 and \$39,047 during the years ended September 30, 2017 and 2016, respectively.

SELF-INSURED UNEMPLOYMENT COMPENSATION BENEFITS

The Organization is self-insured with regards to unemployment compensation benefits. Therefore it does not periodically report or make payments to state or federal agencies for unemployment benefits. Unemployment claims of \$15,310 and \$12,109 were paid during the years ended September 30, 2017 and 2016, respectively.

CONCENTRATION OF CREDIT RISK

The Organization maintains significant investments in money funds, certificates of deposits, mutual funds and corporate bonds and is therefore subject to concentrations of credit risk. Investments are made using the Organization's investment policies which are monitored by the Organization's finance committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

The Organization maintains several cash accounts at two local financial institutions. Balances in a local credit union are insured by the National Credit Union Insurance Fund (NCUIF) up to \$250,000 and balances in a local bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2016 the Organization had approximately \$11,900 in excess of the NCUIF insured limit.

The Organization believes it is not exposed to any significant risk.

**FOOD FINDERS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2017 and 2016**

EXPENDITURES OF FEDERAL FUNDS

The Organization was awarded Community Development Block Grants Funds (CFDA #14.218) from the City of Lafayette and the City of West Lafayette. The following is a schedule of expenditures during the year ended September 30, 2017 and 2016, by the fiscal year of the award.

	Award Amount By Fiscal Year	Expenditures	
		<u>2017</u>	<u>2016</u>
City of Lafayette			
FY 2015-2016	\$ 8,000	\$ -	\$ 8,000
FY 2016-2017	\$ -	-	-
FY 2017-2018	\$ 3,746	3,368	-
		<u>3,368</u>	<u>8,000</u>
City of West Lafayette			
FY 2015-2016	\$ 5,000	-	3,750
FY 2016-2017	\$ 5,000	3,750	1,250
FY 2017-2018	\$ 9,423	2,356	-
		<u>6,106</u>	<u>5,000</u>
Total		<u>\$ 9,474</u>	<u>\$ 13,000</u>

NONCASH INVESTING ACTIVITY

During the year ended September 30, 2017, the Organization received contributions of stock valued at \$50,227 and fixed assets valued at \$9,107. During the year ended September 30, 2016, the Organization received contributions of stock valued at \$53,569, interest in a trust valued at \$273,930, and fixed assets valued at \$101,594.

In addition, during the year ended September 30, 2016, the organization sold a building with proceeds of \$847,100. The proceeds were disbursed directly to a bank to pay the outstanding balance of the mortgage.