

# FOOD FOR THOUGHT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2017

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Food for Thought  
Forestville, California

We have audited the accompanying financial statements of Food for Thought (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.



**Goranson and Associates, Inc.**

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food for Thought as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

Another accountant had previously audited Food for Thought's financial statements for the year ended December 31, 2016 and expressed an unmodified audit opinion on those audited financial statements in their report dated August 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Goranson and Associates, Inc.*

September 25, 2018  
Santa Rosa, California

FOOD FOR THOUGHT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017  
(with summarized comparative totals for December 31, 2016)

	<u>Operations</u>	<u>Endowment</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 445,188		\$ 445,188	\$ 490,016
Accounts receivable	144,386		144,386	149,962
Inventory, net	117,241		117,241	105,811
Prepaid expenses and deposits	24,762		24,762	22,744
Total current assets	<u>731,577</u>		<u>731,577</u>	<u>768,533</u>
Fixed assets:				
Building, land and improvements	1,133,045		1,133,045	1,113,759
Furniture and equipment	104,224		104,224	97,891
Subtotal	<u>1,237,269</u>		<u>1,237,269</u>	<u>1,211,650</u>
Less accumulated depreciation	<u>(590,269)</u>		<u>(590,269)</u>	<u>(545,098)</u>
Net fixed assets	<u>647,000</u>		<u>647,000</u>	<u>666,552</u>
Other assets:				
Restricted cash and cash equivalents	19,770	\$ 17,633	37,403	41,097
Long-term investments	1,696,046	2,055,480	3,751,526	3,565,135
Total other assets	<u>1,715,816</u>	<u>2,073,113</u>	<u>3,788,929</u>	<u>3,606,232</u>
Total assets	<u>\$ 3,094,393</u>	<u>\$ 2,073,113</u>	<u>\$ 5,167,506</u>	<u>\$ 5,041,317</u>

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017  
(with summarized comparative totals for December 31, 2016)

	<u>Operations</u>	<u>Endowment</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	\$ 64,909		\$ 64,909	\$ 52,873
Accrued expenses	94,101		94,101	97,177
Deferred revenue	2,000		2,000	-
Total liabilities	<u>161,010</u>		<u>161,010</u>	<u>150,050</u>
Net assets:				
Unrestricted:				
Undesignated	1,386,299		1,386,299	1,578,168
Board-designated reserves:	<u>1,440,000</u>		<u>1,440,000</u>	<u>1,400,000</u>
Total unrestricted	<u>2,826,299</u>		<u>2,826,299</u>	<u>2,978,168</u>
Temporarily restricted	107,084	\$ 468,091	575,175	308,077
Permanently restricted endowment	<u>-</u>	<u>1,605,022</u>	<u>1,605,022</u>	<u>1,605,022</u>
Total net assets	<u>2,933,383</u>	<u>2,073,113</u>	<u>5,006,496</u>	<u>4,891,267</u>
Total liabilities and net assets	<u>\$ 3,094,393</u>	<u>\$ 2,073,113</u>	<u>\$ 5,167,506</u>	<u>\$ 5,041,317</u>

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with summarized comparative totals for the year ended December 31, 2016)

	Operations		Endowment		2017 Total	2016 Total
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted		
<b>SUPPORT AND REVENUE</b>						
Bequests	\$ 26,729				\$ 26,729	\$ 216,972
Contributions	489,733				489,733	469,898
In kind donations	721,772				721,772	768,367
Grants and contracts	464,484	\$ 69,166			533,650	292,864
Event revenue, net of event expenses of \$53,947	229,567	-			229,567	297,725
Investment returns, net	183,856	-	\$ 266,364		450,220	219,224
Store, net of cost of sales of \$182,846	240,325	-	-		240,325	259,371
Other income	7,896	-	-		7,896	5,390
Net assets released from restriction	142,070	(68,431)	(73,639)		-	-
Total support and revenue	<u>2,506,432</u>	<u>735</u>	<u>192,725</u>		<u>2,699,892</u>	<u>2,529,811</u>
<b>OPERATING EXPENSES</b>						
Program services	1,828,854				1,828,854	1,812,164
Management and general	123,630				123,630	109,234
Store	271,869				271,869	278,103
Fundraising	360,310				360,310	337,344
Total operating expenses	<u>2,584,663</u>				<u>2,584,663</u>	<u>2,536,845</u>
<b>CHANGE IN NET ASSETS</b>	(78,231)	735	192,725		115,229	(7,034)
<b>NET ASSETS, beginning</b>	<u>2,904,530</u>	<u>106,349</u>	<u>275,366</u>	<u>\$ 1,605,022</u>	<u>4,891,267</u>	<u>4,898,301</u>
<b>NET ASSETS, end of year</b>	<u>\$ 2,826,299</u>	<u>\$ 107,084</u>	<u>\$ 468,091</u>	<u>\$ 1,605,022</u>	<u>\$ 5,006,496</u>	<u>\$ 4,891,267</u>

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with summarized comparative totals for the year ended December 31, 2016)

	Program	Management and General	Store	Fundraising	2017 Total	2016 Total
Salaries and wages	\$ 414,795	\$ 42,145	\$ 140,353	\$ 223,450	\$ 820,743	\$ 767,075
Payroll taxes	36,069	3,665	12,205	19,430	71,369	63,791
Employee benefits	72,054	5,684	22,218	55,583	155,539	124,153
Donated food	691,772	-	-	-	691,772	736,367
Purchased food	351,980	-	-	-	351,980	364,128
Vitamins	14,585	-	-	-	14,585	16,816
Nutritional support	46,389	-	-	-	46,389	45,963
Education and training	1,123	14	-	264	1,401	2,881
Garden	2,749	-	-	-	2,749	4,051
Supplies	13,362	456	2,848	3,385	20,051	19,091
Printing	3,644	364	629	18,066	22,703	28,517
Occupancy	42,754	2,203	46,845	5,681	97,483	83,050
Postage and shipping	2,820	277	2,277	6,858	12,232	16,951
Professional fees	20,319	57,561	14,671	8,172	100,723	91,066
Telephone	9,106	568	2,553	1,718	13,945	11,736
Advertising	613	16	4,314	589	5,532	9,573
Volunteer recognition	7,153	432	864	985	9,434	14,173
Insurance	7,563	3,400	730	10	11,703	9,848
Travel and conference	5,748	3,702	401	1,902	11,753	7,153
Equipment rental/repair	5,235	429	4,585	1,188	11,437	10,190
Membership fees	1,526	271	195	998	2,990	1,809
Grants	41,600	-	-	-	41,600	48,100
Depreciation expense	34,967	2,185	1,463	6,556	45,171	36,664
Bank fees	417	217	13,357	4,702	18,693	16,507
Other operating expense	511	41	1,361	773	2,686	7,192
Total expenses	<u>\$ 1,828,854</u>	<u>\$ 123,630</u>	<u>\$ 271,869</u>	<u>\$ 360,310</u>	<u>\$ 2,584,663</u>	<u>\$ 2,536,845</u>

The accompanying notes are an integral part of these financial statements



FOOD FOR THOUGHT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with summarized comparative totals for the year ended December 31, 2016)

	.2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 115,229	\$ (7,034)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	45,171	36,664
Dividends reinvested	(79,718)	-
Unrealized gain on investments	(370,501)	(129,648)
Stock donations	(6,117)	-
(Increase) decrease in:		
Accounts receivable	5,576	(99,110)
Inventory	(11,430)	(19,291)
Prepaid expenses	(2,018)	(9,494)
Increase (decrease) in:		
Accounts payable	12,036	(8,060)
Accrued expenses	(3,076)	35,022
Deferred revenue	2,000	-
Total cash used by operations	(292,848)	(200,951)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(100,000)	(252,659)
Investment proceeds	373,639	236,586
Purchase of property and equipment	(25,619)	(82,088)
Total cash provided (used) by investing activities	248,020	(98,161)
NET CHANGE IN CASH	(44,828)	(299,112)
CASH, beginning of year	490,016	789,128
CASH, end of year	\$ 445,188	\$ 490,016

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 1 ORGANIZATION

Food for Thought ("FFT" or the "Organization") is a California not-for-profit corporation established in 1988 by volunteers to address the need for a HIV/AIDS food program in Sonoma County. FFT operates a food bank that provides healthy groceries, fresh produce, nutritional supplements and vitamins, nutritional counseling, prepared meals for people who are unable to cook, and countywide delivery. All services are provided free of charge. Most of the items distributed are donated or purchased with cash provided by grants and contributions.

During 2015, FFT expanded its mission to serve people with other critical illnesses and began providing congregate meals onsite 3 days per week. Two pilot programs serving clients with heart and diabetes related conditions have been completed, and FFT is now participating in a 3-year MediCal Medically-tailored Meals Pilot program funded by the State Department of Health Care Services.

In addition to the food bank, FFT operates FFT Antiques, Gifts & Garden, a store located in Sebastopol, California, selling purchased, donated, and consigned antique and vintage items. FFT Antiques also subleases space to local vendors selling similar items. Proceeds benefit the mission of FFT.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – FFT reports information regarding its financial position and activities on an accrual basis according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of FFT to meet the stipulations or that become unrestricted at the date specified by the donor.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by FFT to use all or part of the investment return on these net assets for specified or unspecified purposes.

Net assets released from restriction – Temporarily restricted net assets are "released" to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 2        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Basis of Presentation Policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, FFT reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – Cash equivalents consist primarily of money market accounts and other investments with an original maturity of 90 days or less.

Concentrations of Credit Risk – FFT maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount in excess of the FDIC limit totaled \$1,594 at December 31, 2017. In addition, at times during the year, FFT held cash and cash equivalent balances in excess of federally insured limits.

Accounts Receivable – Accounts receivable consists primarily of contributions and grant reimbursements due to FFT. Management believes that all receivables are collectable and, therefore, an allowance for uncollectable receivables is not recorded.

Property and equipment – Property and equipment are stated at cost and depreciated or amortized using the straight-line method over estimated useful lives of 3 to 39 years. Contributed property and equipment is recorded at fair market value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated or amortized over the asset's estimated useful life. FFT capitalizes property and equipment if cost equals or exceeds \$5,000.

FFT reports gifts of land, buildings, 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 that specify how the assets are to be used and the gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained; FFT reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Assets purchased with grantor funds are expensed in the period acquired in accordance with the grantor's funding terms and conditions.

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes – FFT is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined FFT is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of FFT considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to FFT 's status as a not-for-profit entity. Management believes FFT met the requirements to maintain its tax-exempt status and, therefore, no provision for income taxes has been provided in these financial statements. FFT does file an unrelated business income tax return to report certain unrelated income items, such as sales of purchased inventory and subleasing store space. Should there be unrelated business income tax due and payable, it would be reflected in the statement of financial position and the statement of activities. The FFT tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Fair Value Measures – FFT reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

*Level 1* – Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

*Level 2* – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3* – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Endowment Funds – The Board of Directors of FFT has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FFT classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment, and (c) additions to the permanent endowment in accordance with donor directions. The remaining portion of donor restricted endowment funds that are not classified in permanently restricted net assets is classified as unrestricted Board Designated Net Assets until those amounts are appropriated for expenditure by FFT in a manner consistent with standard of prudence prescribed by UPMIFA.

*Spending Policy* - In accordance with UPMIFA, FFT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

- 1)      The duration and preservation of the fund
- 2)      The purposes of FFT and the endowment funds
- 3)      General economic conditions
- 4)      The possible effects of inflation and deflation
- 5)      The expected total return from income and the appreciation of investments
- 6)      Other resources of FFT
- 7)      The investment policies of FFT

FFT 's endowment spending policy is designed so that earnings from donor-restricted funds available for distribution are calculated based on a blended approach, which uses a percentage of the prior year's spending adjusted for inflation coupled with a percentage based upon the current year beginning portfolio value. This spending policy will be reviewed annually by the Finance Committee to ensure that earnings and accumulated appreciation are adequate to sustain the distribution. The Finance Committee may adjust the spending rate percentage as it deems appropriate in order to fulfill the purposes described in the endowment policy, but in no event shall the spending rate percentage be higher than 7%, unless specifically authorized by a two-thirds majority vote of a properly called Board meeting.

*Investment Policy*– FFT 's investment policy for endowment funds is designed to have growth and income as the primary objectives, with capital preservation secondary. Currently the strategic asset allocation for FFT has been determined at 39% fixed income securities, 60% equity securities, and 1% cash equivalents.

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Endowment Funds, continued

*Funds with Deficiencies* – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires FFT to retain as a fund of perpetual duration. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value equals or exceeds book value. As of December 31, 2017, FFT had no endowment funds with deficiencies.

Donated Inventory, Equipment and Services – Donated inventory and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt.

Contributions of donated services are recorded at their fair values in the year received if they meet all of the following three criteria: 1) Services create or enhance nonfinancial assets or that require specialized skills, 2) Services are provided by individuals possessing those skills, and 3) Services would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist FFT at programming and fundraising activities. During 2017, approximately 500 volunteers contributed over 28,000 hours, that would have required 13.54 full-time equivalent positions, to FFT 's program services and fundraising campaigns during the year.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Expenses – FFT 's expenses are presented on a functional basis, showing basic program activities and support services. FFT allocates expenses to program and support services based on the organizational cost centers in which expenses are incurred. In certain instances, expenses are allocated between support and program services based upon a systematic methodology.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2017

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with FFT 's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 3      ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2017:

Government Grants	\$	75,000
Contributions		69,251
Other receivables		135
Total Accounts receivable	\$	144,386

NOTE 4      INVENTORY

Inventory consists of the following as of December 31, 2017:

Food	\$	71,640
Vitamins and supplements		8,895
Antique store		48,942
Total inventory		129,477
Less: Reserve for slow-moving store inventory		(12,236)
Net inventory	\$	117,241

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2017

NOTE 5      INVESTMENTS

Investments consist of bond and mutual funds carried at fair value and are intended to provide income for FFT's programs. The fair value of investments has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs). Significant information about investments is summarized as follows at December 31, 2017:

	Cost or Donated Value	Fair Market Value
Cash and Cash alternatives	\$ 37,403	\$ 37,403
Mutual Funds	2,482,690	2,877,848
Bond funds	876,060	873,678
Total assets at fair value	<u>\$ 3,396,153</u>	<u>\$ 3,788,929</u>

Investment returns net of management fees are comprised of the following for the year ended December 31, 2017:

Dividends & Interests	\$ 94,791
Unrealized gains	370,501
Total earnings	465,292
Management fees	(15,072)
Net investment earnings	<u>\$ 450,220</u>

NOTE 6      ACCRUED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of FFT. The value of accrued vacation at December 31, 2017 is \$59,088.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated sick leave benefits are not recognized as liabilities since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenses in the period taken.



FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2017

NOTE 7            UNRELATED BUSINESS INCOME

The Organization generates unrelated business income for the sales of purchased store inventory and subleasing the store space at FFT Antiques. FFT incurred a net operating loss related to its unrelated business income on such activities and, accordingly, no provision for income taxes was recorded. In addition, a valuation allowance has been recorded against the income tax benefit to reduce the deferred tax asset to zero, due to the uncertainty of the future realization of any such deferred tax assets.

The unrelated business activities incurred at FFT Antiques for the year ended December 31, 2017 are summarized as the following:

Sales of purchased inventory		\$ 242,937
Cost of inventory		(182,846)
Net sales revenue		<u>60,091</u>
Store space rental		<u>17,543</u>
Net gross profit		77,634
Operating expenses		<u>(167,347)</u>
Net operating loss		
from unrelated business		<u><u>\$ (89,713)</u></u>

FFT Antiques also generated revenue from selling donated inventory items. The following summarizes FFT Antiques' operating results for the year ended December 31, 2017:

Sales of donated inventory		\$ 151,734
Net sales revenue from		
purchased inventory		60,091
Store space rental		<u>28,500</u>
Net revenue		240,325
Operating expenses		<u>(271,869)</u>
Net Antique store loss		<u><u>\$ (31,544)</u></u>

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2017

NOTE 8           TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2017:

Food Bank	\$	100,366
Nutrient Bank		6,718
Endowment income available for appropriation		468,091
Total temporarily restricted net assets	\$	<u>575,175</u>

NOTE 9           PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowment funds permanently restricted by donors. Permanently restricted net assets are included in the statement of financial position at December 31, 2017 as investments in the amount of \$1,605,022.

NOTE 10          BOARD-DESIGNATED RESERVES

All general operating revenues and expenses related to FFT's program activities are included in the change in unrestricted net assets. From time to time certain unrestricted contributions or supports received are designated by the Organization's Board as Board Designated Funds. The Board Designated Funds consist of funds with no donor or legal restrictions but, through Board resolutions, have been set aside for specific purposes.

Board-Designated Funds consist of the following as of December 31, 2017:

Operational reserve	\$	1,000,000
Capital improvement reserve		300,000
Maintenance reserve		100,000
Project Africa		40,000
Total Board-Designated Funds	\$	<u>1,440,000</u>

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

NOTE 11      BENEFICIAL INTEREST IN ENDOWMENT

Endowment funds were established to improve the financial stability of FFT. The composition of FFT 's endowment funds as of December 31, 2017 is presented as follows:

Temporarily restricted unappropriated	\$ 468,091
Permanently restricted endowment funds	<u>1,605,022</u>
Total beneficial interest in endowment	<u><u>\$ 2,073,113</u></u>

The activities of FFT 's endowment funds for the year ended December 31, 2017 are presented as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment
Beginning balance	\$ 275,366	\$ 1,605,022	\$ 1,880,388
Interest and dividends	50,024	-	50,024
Unrealized gains	224,114	-	224,114
Management fees	(7,774)	-	(7,774)
Board approved draws	(73,639)	-	(73,639)
	<u>\$ 468,091</u>	<u>\$ 1,605,022</u>	<u>\$ 2,073,113</u>

NOTE 12      LEASE COMMITMENTS

FFT leases FFT antiques store space under an operating lease agreement, expiring 2019. The agreement calls for rent payments in the amount of \$3,200 per month. Future minimum lease payments are as follows for the years ending December 31:

2018	\$ 38,400
2019	<u>28,800</u>
	<u><u>\$ 67,200</u></u>

NOTE 13      PENSION PLANS

FFT provides a defined contribution pension plan under Section 403(b) of the Internal Revenue Code (IRS). Eligible employees may make contributions to the plan up to the maximum amount allowed by the IRS if they wish. FFT matches the employee contributions to the plan not to exceed 5% of salary. For the year ended December 31, 2017, FFT incurred \$31,470 in such matching contributions.

FOOD FOR THOUGHT  
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NOTE 12 SUBSEQUENT EVENTS

FFT has evaluated subsequent events through September 25, 2018, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to December 31, 2017 that would have a material impact on FFT 's results of operations or financial position.