

# FOOD FOR THOUGHT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

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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, 2018, and the related statements of activities, functional expenses, 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, 2018, 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**

We have previously audited the Food for Thought's financial statements for the year ended December 31, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Goranson and Associates, Inc.*

July 23, 2019

Santa Rosa, CA

FOOD FOR THOUGHT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018

(with summarized comparative totals for December 31, 2017)

	<u>Operations</u>	<u>Endowment</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 381,726		\$ 381,726	\$ 445,188
Accounts receivable	175,635		175,635	144,386
Inventory, net	100,870		100,870	117,241
Prepaid expenses and deposits	22,192		22,192	24,762
Total current assets	<u>680,423</u>		<u>680,423</u>	<u>731,577</u>
Fixed assets:				
Building, land and improvements	1,133,045		1,133,045	1,133,045
Furniture and equipment	105,716		105,716	104,224
Subtotal	<u>1,238,761</u>		<u>1,238,761</u>	<u>1,237,269</u>
Less accumulated depreciation	(630,903)		(630,903)	(590,269)
Net fixed assets	<u>607,858</u>		<u>607,858</u>	<u>647,000</u>
Other assets:				
Restricted cash and cash equivalents	16,802	\$ 17,598	34,400	37,403
Long-term investments	1,646,933	1,650,532	3,297,465	3,751,526
Total other assets	<u>1,663,735</u>	<u>1,668,130</u>	<u>3,331,865</u>	<u>3,788,929</u>
Total assets	<u>\$ 2,952,016</u>	<u>\$ 1,668,130</u>	<u>\$ 4,620,146</u>	<u>\$ 5,167,506</u>

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018  
(with summarized comparative totals for December 31, 2017)

	Operations	Endowment	2018 Total	2017 Total
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	\$ 76,499		\$ 76,499	\$ 64,909
Accrued expenses	113,762		113,762	94,102
Deferred revenue	410		410	2,000
Total liabilities	190,671		190,671	161,011
Net assets:				
With Donor Restriction	72,146	\$ 1,668,130	1,740,276	2,180,197
Without Donor Restriction	2,689,199	-	2,689,199	2,826,299
Total net assets	2,761,345	1,668,130	4,429,475	5,006,496
Total liabilities and net assets	\$ 2,952,016	\$ 1,668,130	\$ 4,620,146	\$ 5,167,507

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with summarized comparative totals for the year ended December 31, 2017)

	Operations		Endowment	2018 Total	2017 Total
	Without Donor Restriction	With Donor Restriction	With Donor Restriction		
<b>SUPPORT AND REVENUE</b>					
Bequests	\$ 99,400			\$ 99,400	\$ 26,729
Contributions	462,660			462,660	489,733
In kind donations	545,181			545,181	721,772
Grants and contracts	549,125	\$ 38,100		587,225	533,650
Event revenue, net of event expenses of \$23,836	199,494	-		199,494	229,567
Investment returns, net	(58,759)	-	\$ (129,339)	(188,098)	450,220
Store, net of cost of sales of \$167,126	262,105	-	-	262,105	240,325
Other income	14,668	-	-	14,668	7,896
Net assets released from restriction	148,682	(73,038)	(75,644)	-	-
Total support and revenue	2,222,556	(34,938)	(204,983)	1,982,635	2,699,892
<b>OPERATING EXPENSES</b>					
Program services	1,809,546			1,809,546	1,828,854
Management and general	120,042			120,042	123,630
Store	282,384			282,384	271,869
Fundraising	347,684			347,684	360,310
Total operating expenses	2,559,656			2,559,656	2,584,663
<b>CHANGE IN NET ASSETS</b>	(337,100)	(34,938)	(204,983)	(577,021)	115,229
<b>NET ASSETS, beginning</b>	3,026,299	107,084	1,873,113	5,006,496	4,891,267
<b>NET ASSETS, end of year</b>	\$ 2,689,199	\$ 72,146	\$ 1,668,130	\$ 4,429,475	\$ 5,006,496

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(with summarized comparative totals for the year ended December 31, 2017)

	Program	Management and General	Store	Fundraising	2018 Total	2017 Total
Salaries and wages	\$ 506,100	\$ 38,801	\$ 139,342	\$ 221,501	\$ 905,744	\$ 820,743
Payroll taxes	43,726	3,352	12,039	19,137	78,254	71,369
Employee benefits	76,922	4,602	21,658	47,185	150,367	155,539
Donated food	513,181	-	-	-	513,181	691,772
Purchased food	356,209	-	-	-	356,209	351,980
Vitamins	5,971	-	-	-	5,971	14,585
Nutritional support	62,659	-	-	-	62,659	46,389
Education and training	1,907	16	495	1,045	3,463	1,401
Garden	3,332	-	-	-	3,332	2,749
Supplies	19,053	622	5,108	2,813	27,596	20,051
Printing	6,110	594	1,785	23,528	32,017	22,703
Occupancy	50,635	2,766	53,254	5,038	111,693	97,483
Postage and shipping	3,152	280	4,047	4,959	12,438	12,232
Professional fees	38,204	57,587	10,787	4,688	111,266	100,723
Telephone	9,182	553	3,119	2,127	14,981	13,945
Advertising	2,423	87	6,974	1,473	10,957	5,532
Volunteer recognition	7,676	470	1,617	540	10,303	9,434
Insurance	7,352	3,728	842	146	12,068	11,703
Travel and conference	5,117	3,588	1,699	1,101	11,505	11,753
Equipment rental/repair	6,094	445	2,354	1,233	10,126	11,437
Membership fees	725	31	248	189	1,193	2,990
Grants	45,023	-	-	-	45,023	41,600
Bank fees	1,881	137	14,019	2,470	18,507	18,693
Other operating expense	2,341	222	1,534	2,029	6,126	2,686
Subtotal expenses	<u>1,774,975</u>	<u>117,881</u>	<u>280,921</u>	<u>341,202</u>	<u>2,514,979</u>	<u>2,539,492</u>
Depreciation expense	<u>34,571</u>	<u>2,161</u>	<u>1,463</u>	<u>6,482</u>	<u>44,677</u>	<u>45,171</u>
Total expenses	<u>\$ 1,809,546</u>	<u>\$ 120,042</u>	<u>\$ 282,384</u>	<u>\$ 347,684</u>	<u>\$ 2,559,656</u>	<u>\$ 2,584,663</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, 2018  
(with summarized comparative totals for the year ended December 31, 2017)

	.2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (577,021)	\$ 115,229
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	44,677	45,171
Dividends reinvested	(73,498)	(79,718)
Unrealized gain on investments	261,597	(370,501)
Stock donations	(6,679)	(6,117)
(Increase) decrease in:		
Accounts receivable	(31,249)	5,576
Inventory	16,371	(11,430)
Prepaid expenses	2,570	(2,018)
Increase (decrease) in:		
Accounts payable	11,590	12,036
Accrued expenses	19,660	(3,076)
Deferred revenue	(1,589)	2,000
Total cash used by operations	(333,571)	(292,848)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	-	(100,000)
Investment proceeds	275,646	373,639
Purchase of property and equipment	(5,537)	(25,619)
Total cash provided (used) by investing activities	270,109	248,020
NET CHANGE IN CASH	(63,462)	(44,828)
CASH, beginning of year	445,188	490,016
CASH, end of year	\$ 381,726	\$ 445,188

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 1 ORGANIZATION

Food for Thought (FFT) 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 two classes of net assets: with donor restrictions, and without donor restriction.

*Net assets without donor restriction* – 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.

*Net Assets with donor restriction* – 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.

Net assets released from restriction – Net assets with donor restriction are “released” to net assets without donor restriction 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, 2018

NOTE 2        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Basis of Presentation Policies – Revenues or support are reported as increases in net assets without donor restriction unless subject to donor-imposed restrictions. If donor restrictions are fulfilled in the same time period the revenue or support is received, FFT reports the revenue or support as without donor restriction. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction 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.

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, 2018

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, without donor restricted 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, 2018

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 net assets with donor restriction (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 net assets with donor restriction is classified as Board Designated Net Assets without donor restriction 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, 2018

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 net assets without donor restriction until such time as the fair value equals or exceeds book value. As of December 31, 2018, 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 2018, 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 STATEMENTS  
DECEMBER 31, 2018

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, 2017, from which the summarized information was derived.

NOTE 3      LIQUIDITY

The following reflects FFT's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. FFT also has \$1,414,184 in board restricted funds.

Financial assets:	
Cash and cash equivalents	\$    381,726
Accounts receivables	175,635
Investments	1,463,736
Total financial assets	2,021,097
Less donor restrictions	(1,740,276)
Financial assets available to meet cash needs for general expenditures within one year	\$    280,821

NOTE 4      ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2018:

Government Grants	\$    62,500
Contributions	113,135
Total Accounts receivable	\$    175,635

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 5      INVENTORY

Inventory consists of the following as of December 31, 2018:

Food	\$ 67,063
Vitamins and supplements	13,403
Antique store	27,205
Total inventory	<u>107,671</u>
Less: Reserve for slow-moving store inventory	(6,801)
Net inventory	<u>\$ 100,870</u>

NOTE 6      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, 2018:

	Cost or Donated Value	Fair Market Value
	<u>          </u>	<u>          </u>
Cash and Cash alternatives	\$ 34,400	\$ 34,400
Mutual Funds	2,482,690	2,466,781
Bond funds	876,060	830,684
Total assets at fair value	<u>\$ 3,393,150</u>	<u>\$ 3,331,865</u>

Investment returns net of management fees are comprised of the following for the year ended December 31, 2018:

Dividends & Interests	\$ 88,308
Unrealized gains	<u>(261,597)</u>
Total earnings	(173,289)
Management fees	<u>(14,809)</u>
Net investment earnings	<u>\$ (188,098)</u>



FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 7 ACCRUED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of FFT. The value of accrued vacation at December 31, 2018 is \$60,957.

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.

NOTE 8 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, 2018 are summarized as the following:

Sales of purchased inventory	\$ 218,940
Cost of inventory	<u>(167,126)</u>
Net sales revenue	51,814
Store space rental	<u>16,264</u>
Net gross profit	68,078
Operating expenses	<u>(153,935)</u>
Net operating loss	
from unrelated business	<u><u>\$ (85,857)</u></u>

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 8 UNRELATED BUSINESS INCOME, continued

FFT Antiques also generated revenue from selling donated inventory items. The following summarizes FFT Antiques' operating results for the year ended December 31, 2018:

Sales of donated inventory	\$	180,611
Net sales revenue from purchased inventory		51,814
Store space rental		<u>29,680</u>
Net revenue		262,105
Operating expenses		<u>(282,384)</u>
Net Antique store loss	\$	<u><u>(20,279)</u></u>

NOTE 9 NET ASSETS WITH TEMPORARY DONOR RESTRICTION

Net assets with temporary donor restrictions are available for the following purposes at December 31, 2018:

Food Bank	\$	63,060
Nutrient Bank		9,086
Endowment income available for appropriation		<u>63,108</u>
Total net assets with donor restriction	\$	<u><u>135,254</u></u>

NOTE 10 NET ASSETS WITH PERMANENT DONOR RESTRICTIONS

Net assets with permanent donor restrictions consist of endowment funds restricted by donors. Net assets with permanent donor restrictions are included in the statement of financial position at December 31, 2018 as investments in the amount of \$1,605,022.

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 11 BOARD-DESIGNATED RESERVES

All general operating revenues and expenses related to FFT's program activities are included in the change in net assets without donor restriction. From time to time certain unrestricted contributions or supports received are designated by FFT'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, 2018:

Operational reserve	\$ 1,000,000
Capital improvement reserve	300,000
Maintenance reserve	100,000
Project Africa	14,184
Total Board-Designated Funds	<u>\$ 1,414,184</u>

NOTE 12 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, 2018 is presented as follows:

Temporarily restricted unappropriated	\$ 63,108
Permanently restricted endowment fund	1,605,022
Total beneficial interest in endowment	<u>\$ 1,668,130</u>

The activities of FFT's endowment funds for the year ended December 31, 2018 are presented as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment
Beginning balance	\$ 268,091	\$ 1,605,022	\$ 1,873,113
Interest and dividends	48,197	-	48,197
Unrealized gains	(169,374)	-	(169,374)
Management fees	(8,161)	-	(8,161)
Board approved draws	(75,645)	-	(75,645)
	<u>\$ 63,108</u>	<u>\$ 1,605,022</u>	<u>\$ 1,668,130</u>

FOOD FOR THOUGHT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 13      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:

2019	\$	28,800
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NOTE 14      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 percent of salary. For the year ended December 31, 2018, FFT incurred \$31,748 in such matching contributions.

NOTE 15      CHANGE IN ACCOUNTING PRINCIPLE

The financial statements have been changed to early adopt ASU 2016-14, changing to the new language of “without donor restriction” and “with donor restriction.” This change has been applied to both the current year and the prior summarized information. As well, an addition to the summary of significant accounting policies in Note 2 has been written to disclose the allocation methodology used by FFT, and the new liquidity note has been added in Note 3. The prior year change was only in terminology from “unrestricted” and “temporarily restricted” to “without donor restriction” and with “donor restriction.” There was no change in the beginning net asset number.

NOTE 16      SUBSEQUENT EVENTS

FFT has evaluated subsequent events through July 23, 2019, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to December 31, 2018 that would have a material impact on FFT’s results of operations or financial position.