

FOOD FOR THOUGHT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3 - 4
Statement of Activities	5
Statement of Functional Expense	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2019, 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, 2019, 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, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

June 2, 2020
Santa Rosa, CA



FOOD FOR THOUGHT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(with summarized comparative totals for December 31, 2018)

	<u>Operations</u>	<u>Endowment</u>	<u>2019 Total</u>	<u>2018 Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 368,784		\$ 368,784	\$ 381,726
Accounts receivable	154,163		154,163	175,635
Inventory, net	64,268		64,268	100,870
Prepaid expenses and deposits	87,625		87,625	22,192
Total current assets	<u>674,840</u>		<u>674,840</u>	<u>680,423</u>
Fixed assets:				
Building, land and improvements	1,125,731		1,125,731	1,133,045
Furniture and equipment	105,716		105,716	105,716
Subtotal	<u>1,231,447</u>		<u>1,231,447</u>	<u>1,238,761</u>
Less accumulated depreciation	<u>(668,361)</u>		<u>(668,361)</u>	<u>(630,903)</u>
Net fixed assets	<u>563,086</u>		<u>563,086</u>	<u>607,858</u>
Other assets:				
Restricted cash and cash equivalents	17,006	\$ 30,665	47,671	34,400
Long-term investments	1,586,774	2,050,433	3,637,207	3,297,465
Total other assets	<u>1,603,780</u>	<u>2,081,098</u>	<u>3,684,878</u>	<u>3,331,865</u>
Total assets	<u>\$ 2,841,706</u>	<u>\$ 2,081,098</u>	<u>\$ 4,922,804</u>	<u>\$ 4,620,146</u>

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

(with summarized comparative totals for December 31, 2018)

	Operations	Endowment	2019 Total	2018 Total
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 44,793		\$ 44,793	\$ 76,499
Accrued expenses	119,246		119,246	113,762
Deferred revenue	410		410	410
Total liabilities	164,449		164,449	190,671
Net assets:				
With Donor Restriction	278,924	\$ 1,951,526	2,230,450	1,740,276
Without Donor Restriction	2,398,333	129,572	2,527,905	2,689,199
Total net assets	2,677,257	2,081,098	4,758,355	4,429,475
Total liabilities and net assets	\$ 2,841,706	\$ 2,081,098	\$ 4,922,804	\$ 4,620,146

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(with summarized comparative totals for the year ended December 31, 2018)

	Operations		Endowment	2019 Total	2018 Total
	Without Donor Restriction	With Donor Restriction	With Donor Restriction		
SUPPORT AND REVENUE					
Bequests	\$ 55,400			\$ 55,400	\$ 99,400
Contributions	587,383			587,383	462,660
In kind donations	436,970			436,970	545,181
Grants and contracts	649,915	\$ 257,000		906,915	587,225
Event revenue	252,386	-		252,386	199,494
Investment returns, net	372,950	-	\$ 212,968	585,918	(188,098)
Store, net of cost of sales of \$121,985	222,096	-	-	222,096	262,105
Other income	6,258	-	-	6,258	14,668
Net assets released from restriction	(20,206)	(50,222)	70,428	-	-
Total support and revenue	<u>2,563,152</u>	<u>206,778</u>	<u>283,396</u>	<u>3,053,326</u>	<u>1,982,635</u>
OPERATING EXPENSES					
Program services	1,846,222			1,846,222	1,809,546
Management and general	168,226			168,226	120,042
Store	230,359			230,359	282,384
Fundraising	479,638			479,638	347,684
Total operating expenses	<u>2,724,446</u>			<u>2,724,446</u>	<u>2,559,656</u>
CHANGE IN NET ASSETS	(161,294)	206,778	283,396	328,880	(577,021)
NET ASSETS, beginning	<u>2,689,199</u>	<u>72,146</u>	<u>1,668,130</u>	<u>4,429,475</u>	<u>5,006,496</u>
NET ASSETS, end of year	<u>\$ 2,527,905</u>	<u>\$ 278,924</u>	<u>\$ 1,951,526</u>	<u>\$ 4,758,355</u>	<u>\$ 4,429,475</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, 2019
(with summarized comparative totals for the year ended December 31, 2018)

	Program	Management and General	Store	Fundraising	2019 Total	2018 Total
Salaries and wages	\$ 545,142	\$ 80,008	\$ 118,476	\$ 270,244	\$ 1,013,869	\$ 905,744
Payroll taxes	49,663	7,319	11,775	24,885	93,642	78,254
Employee benefits	91,345	8,795	19,386	44,544	164,069	150,367
Donated food	408,035	-	-	-	408,035	513,181
Purchased food	475,222	-	-	1,837	477,059	356,209
Vitamins	9,782	-	-	-	9,782	5,971
Nutritional support	45,348	-	-	-	45,348	62,659
Education and training	1,550	86	12	849	2,497	3,463
Garden	5,372	-	-	-	5,372	3,332
Supplies	12,411	783	1,536	7,659	22,390	27,596
Printing	10,310	1,063	969	29,805	42,148	32,017
Occupancy	45,221	2,189	39,836	6,751	93,997	111,693
Postage and shipping	3,228	395	4,285	8,316	16,224	12,438
Professional fees	35,307	57,283	10,991	27,616	131,197	111,266
Telephone	5,784	713	2,027	3,606	12,130	14,981
Advertising	1,121	110	3,539	12,510	17,281	10,957
Volunteer/staff recognition	12,204	1,443	839	6,994	21,481	10,303
Insurance	7,912	3,675	730	331	12,647	12,068
Travel and conference	10,474	619	752	5,349	17,194	11,505
Equipment rental/repair	9,399	677	617	6,510	17,203	10,126
Membership fees	1,338	74	155	5,818	7,386	1,193
Grants	27,400	-	-	-	27,400	45,023
Bank fees	3,998	277	9,512	1,230	15,017	18,507
Other operating expense	995	41	2,370	2,901	6,307	6,126
Subtotal expenses	<u>1,818,562</u>	<u>165,550</u>	<u>227,806</u>	<u>467,756</u>	<u>2,679,674</u>	<u>2,514,979</u>
Depreciation expense	27,661	2,676	2,553	11,882	44,772	44,677
Total expenses	<u>\$ 1,846,222</u>	<u>\$ 168,226</u>	<u>\$ 230,359</u>	<u>\$ 479,638</u>	<u>\$ 2,724,446</u>	<u>\$ 2,559,656</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, 2019
(with summarized comparative totals for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 328,880	\$ (577,021)
Adjustments to reconcile change in net assets to cash from operations		
Depreciation and amortization	44,772	44,677
Dividends reinvested	(91,345)	(73,498)
Unrealized (gain)/loss on investments	(508,241)	261,597
Investment fees	13,808	-
Stock donations	-	(6,679)
(Increase) decrease in:		
Accounts receivable	21,472	(31,249)
Inventory	36,602	16,371
Prepaid expenses	(65,433)	2,570
Increase (decrease) in:		
Accounts payable	(31,706)	11,590
Accrued expenses	5,484	19,660
Deferred revenue	-	(1,589)
Total cash used by operations	<u>(245,707)</u>	<u>(333,571)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment purchases	(17,235)	-
Investment proceeds	250,000	275,646
Purchase of property and equipment	-	(5,537)
Total cash provided (used) by investing activities	<u>232,765</u>	<u>270,109</u>
NET CHANGE IN CASH	(12,942)	(63,462)
CASH, beginning of year	<u>381,726</u>	<u>445,188</u>
CASH, end of year	<u>\$ 368,784</u>	<u>\$ 381,726</u>

The accompanying notes are an integral part of these financial statements

FOOD FOR THOUGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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. The store closed September 2019.

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, 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 2019, approximately 550 volunteers contributed over 25,000 hours, that would have required 1202 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, 2019

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, 2018, from which the summarized information was derived.

NOTE 3 LIQUIDITY

The following reflects FFT's financial assets as of December 31, 2019, 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 \$1,400,150 in board restricted funds.

Financial assets:	
Cash and cash equivalents	\$ 368,784
Accounts receivables	154,163
Investments	1,603,780
Total financial assets	2,126,727
Less donor restrictions	(278,924)
Financial assets available to meet cash needs	
for general expenditures within one year	\$ 1,847,803

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at December 31, 2019:

Government Grants	\$ 33,750
Grants	99,983
Contributions	20,430
Total Accounts receivable	\$ 154,163

FOOD FOR THOUGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 INVENTORY

Inventory consists of the following as of December 31, 2019:

Food	\$	50,337
Vitamins and supplements		13,930
Total inventory	\$	<u>64,267</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, 2019:

	Cost or Donated Value	Fair Market Value
Cash and Cash alternatives	\$ 47,671	\$ 47,671
Mutual Funds	2,229,512	2,755,079
Exchange traded funds	858,433	882,128
Total assets at fair value	<u>\$ 3,135,616</u>	<u>\$ 3,684,878</u>

Investment returns net of management fees are comprised of the following for the year ended December 31, 2019:

Dividends & Interests	\$	91,485
Unrealized gains		508,241
Total earnings		<u>599,726</u>
Management fees		<u>(13,808)</u>
Net investment earnings	\$	<u>585,918</u>

FOOD FOR THOUGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019 is \$65,768.

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, 2019 are summarized as the following:

Sales of purchased inventory	\$ 68,401
Cost of inventory	<u>(34,402)</u>
Net sales revenue	33,999
Store space rental	<u>(12,311)</u>
Net gross profit	21,688
Operating expenses	<u>(59,243)</u>
Net operating loss	
from unrelated business	<u><u>\$ (37,555)</u></u>

FOOD FOR THOUGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019:

Sales of donated inventory	\$	152,932
Net sales revenue from purchased inventory		33,999
Store space rental		<u>39,836</u>
Net revenue		226,767
Operating expenses		<u>(230,359)</u>
Net Antique store loss	\$	<u><u>(3,592)</u></u>

NOTE 9 NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS

Net assets with temporary donor restrictions are available for the following purposes at December 31, 2019:

Food Bank	\$	275,718
Nutrient Bank		3,205
Endowment		<u>346,504</u>
Total net assets with donor restriction	\$	<u><u>625,427</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, 2019 as investments in the amount of \$1,605,022.

FOOD FOR THOUGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019:

Operational reserve	\$ 1,000,000
Capital improvement reserve	300,000
Maintenance reserve	100,000
Project Africa	<u>150</u>
Total Board-Designated Funds	<u>\$ 1,400,150</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, 2019 is presented as follows:

Without any restrictions	\$ 129,572
Temporarily restricted unappropriated	346,504
Permanently restricted endowment fund	<u>1,605,022</u>
Total beneficial interest in endowment	<u>\$ 2,081,098</u>

The activities of FFT's endowment funds for the year ended December 31, 2019 are presented as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment
Beginning balance	\$ 200,000	\$ 63,108	\$ 1,605,022	\$ 1,868,130
Interest and dividends	-	51,838	-	51,838
Unrealized gains	-	318,962	-	318,962
Management fees	-	(7,832)	-	(7,832)
Board approved draws	79,572	(79,572)	-	-
Funds transferred out	<u>(150,000)</u>	<u>-</u>	<u>-</u>	<u>(150,000)</u>
	<u>\$ 129,572</u>	<u>\$ 346,504</u>	<u>\$ 1,605,022</u>	<u>\$ 2,081,098</u>

FOOD FOR THOUGHT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13 LEASE COMMITMENTS

FFT leases FFT antiques store space under an operating lease agreement, that expired September 2019. The agreement calls for rent payments in the amount of \$3,200 per month. FFT did not renew the lease.

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, 2019, FFT incurred \$29,928 in such matching contributions.

NOTE 15 CHANGE IN ACCOUNTING PRINCIPLE

The financial statements have been changed to adopt ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. This change has been applied to both the current year and the prior year summarized information.

NOTE 16 SUBSEQUENT EVENTS

FFT has evaluated subsequent events through June 2, 2020, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to December 31, 2019 that would have a material impact on FFT's results of operations or financial position.