

ALL FAITHS FOOD BANK, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

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DECEMBER 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
All Faiths Food Bank, Inc.
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of All Faiths Food Bank, Inc. (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of All Faiths Food Bank, Inc. as of December 31, 2016, and the changes in its consolidated net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Christopher Smith, Leonard
Bristow & Stanell, PA*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL P.A.

April 19, 2017
Sarasota, Florida

ALL FAITHS FOOD BANK, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and cash equivalents			
Available for operations	\$ 2,038,453	\$ -	\$ 2,038,453
Board designated campus expansion and reserve	1,441,993	-	1,441,993
Donor restricted	-	1,823,026	1,823,026
Total cash and cash equivalents	<u>3,480,446</u>	<u>1,823,026</u>	<u>5,303,472</u>
Accounts receivable	27,570	-	27,570
Grants and contracts receivable	63,370	-	63,370
Pledges receivable – current	-	91,750	91,750
Inventory	191,898	827,496	1,019,394
Prepaid expenses and deposits	66,868	-	66,868
Total Current Assets	<u>3,830,152</u>	<u>2,742,272</u>	<u>6,572,424</u>
Property and Equipment			
Land	1,127,206	-	1,127,206
Building and improvements	2,650,311	-	2,650,311
Construction in progress	12,029	-	12,029
Warehouse equipment	518,578	-	518,578
Office equipment	121,507	-	121,507
Vehicles	1,193,832	-	1,193,832
Less: Accumulated depreciation	<u>(1,415,713)</u>	<u>-</u>	<u>(1,415,713)</u>
Total Property and Equipment, net	<u>4,207,750</u>	<u>-</u>	<u>4,207,750</u>
Other Noncurrent Assets			
Investments – Foundation Legacy (See Note 1)	2,288,263	-	2,288,263
Pledges receivable – less current portion	-	176,665	176,665
Total Other Noncurrent Assets	<u>2,288,263</u>	<u>176,665</u>	<u>2,464,928</u>
Total Assets	<u>\$ 10,326,165</u>	<u>\$ 2,918,937</u>	<u>\$ 13,245,102</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 63,867	\$ -	\$ 63,867
Accrued liabilities	<u>138,524</u>	<u>-</u>	<u>138,524</u>
Total Current Liabilities	<u>202,391</u>	<u>-</u>	<u>202,391</u>
Net Assets			
Unrestricted			
Operating	2,185,768	-	2,185,768
Board designated – campus expansion	316,993	-	316,993
Board designated – reserve	1,125,000	-	1,125,000
Board designated – Foundation	2,288,263	-	2,288,263
Property and equipment	4,207,750	-	4,207,750
Temporarily restricted	-	2,918,937	2,918,937
Total Net Assets	<u>10,123,774</u>	<u>2,918,937</u>	<u>13,042,711</u>
Total Liabilities and Net Assets	<u>\$ 10,326,165</u>	<u>\$ 2,918,937</u>	<u>\$ 13,245,102</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALL FAITHS FOOD BANK, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
REVENUE AND SUPPORT			
Revenue			
Maintenance fee and food cost recovery	\$ 272,878	\$ -	\$ 272,878
Miscellaneous income	201,642	-	201,642
Investment Earnings	72,041	-	72,041
Realized/Unrealized Gains (Losses)	90,724	-	90,724
Total Revenues	<u>637,285</u>	<u>-</u>	<u>637,285</u>
Support			
Contributions- general	1,868,379	1,652,744	3,521,123
Contributions - capital campaign	-	1,157,045	1,157,045
Special event income	331,667	-	331,667
Value of contributed inventory	-	12,289,019	12,289,019
Grants:			
Federal	-	71,785	71,785
Local	175,000	-	175,000
Other	623,822	907,645	1,531,467
Total Grants	<u>798,822</u>	<u>979,430</u>	<u>1,778,252</u>
Total Support	2,998,868	16,078,238	19,077,106
Net assets released from restrictions			
Value of contributed food distributed	12,150,087	(12,150,087)	-
Other net assets released from restrictions	2,962,689	(2,962,689)	-
TOTAL REVENUE AND SUPPORT	<u>18,748,929</u>	<u>965,462</u>	<u>19,714,391</u>
EXPENDITURES			
Program and Support Services			
Program services	15,814,325	-	15,814,325
General and administrative	415,245	-	415,245
Fundraising	916,112	-	916,112
TOTAL EXPENDITURES	<u>17,145,682</u>	<u>-</u>	<u>17,145,682</u>
INCREASE IN NET ASSETS	1,603,247	965,462	2,568,709
NET ASSETS, BEGINNING OF YEAR	<u>8,520,527</u>	<u>1,953,475</u>	<u>10,474,002</u>
NET ASSETS, END OF YEAR	<u>\$ 10,123,774</u>	<u>\$ 2,918,937</u>	<u>\$ 13,042,711</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALL FAITHS FOOD BANK, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 2,568,709
Adjustments to reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	279,072
Unrealized gains/losses	(90,724)
Loss on disposals	1,444
Bad debt	25,905
Decrease (increase) in:	
Accounts receivable	(1,684)
Grants and contracts receivable	16,733
Capital campaign pledges receivable	(237,435)
Inventory	(246,778)
Prepaid expenses and deposits	20,149
(Decrease) increase in:	
Accounts payable	34,729
Accrued liabilities	(15,981)
	<hr/>
Total Cash Provided by Operating Activities	2,354,139
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(210,242)
Net sales of investments	15,701
	<hr/>
Total Cash Used by Investing Activities	(194,541)
	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,159,598
CASH AND CASH EQUIVALENTS – Beginning of year	3,143,874
	<hr/>
CASH AND CASH EQUIVALENTS – End of year	\$ 5,303,472
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The accompanying notes are an integral part of these consolidated financial statements.

ALL FAITHS FOOD BANK, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 1,056,489	\$ 267,670	\$ 402,264	\$ 1,726,423
Payroll taxes and workers compensation	214,531	39,425	67,374	321,330
Employee benefits	99,303	25,344	40,202	164,849
HR/payroll other	7,543	1,245	2,764	11,552
Total salaries and employee benefits	1,377,866	333,684	512,604	2,224,154
Advertising & Publicity	11,452	357	33,315	45,124
Professional Fees	60,857	41,515	191,041	293,413
Contract services	72,334	433	517	73,284
Depreciation	262,903	5,991	10,178	279,072
Subscriptions & Newsletters	-	-	2,214	2,214
Events & Special Initiatives	30,016	936	43,798	74,750
Donated Food Distributed	12,150,087	-	-	12,150,087
Purchased Food Distributed	1,165,072	-	-	1,165,072
Freight & Delivery Fees on Donated Food	60,936	-	-	60,936
Occupancy	81,504	3,285	5,568	90,357
Insurance	85,640	9,013	8,219	102,872
Meetings & Conferences	7,409	1,732	10,874	20,015
Membership Dues	4,719	916	4,507	10,142
Postage & Mailing	19,928	151	28,040	48,119
Printing & Copying	6,336	125	6,215	12,676
Equipment, Rental, Repairs & Maintenan	87,079	731	1,246	89,056
Supplies	92,868	4,983	20,988	118,839
Telephone	33,359	3,492	9,531	46,382
Truck Rental, Maintenance & Fuel	154,080	-	-	154,080
Travel	22,736	6,506	13,680	42,922
Bad debt expense	25,658	-	247	25,905
Miscellaneous	1,486	1,395	13,330	16,211
TOTAL	\$ 15,814,325	\$ 415,245	\$ 916,112	\$ 17,145,682

The accompanying notes are an integral part of these consolidated financial statements.

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

All Faiths Food Bank, Inc. (All Faiths) was incorporated on March 13, 1989 as a non-profit corporation under the laws of the State of Florida. Its mission: Together with our partners, we provide healthy solutions to end hunger in our community. All Faiths, awarded a consecutive 4-star rating from Guidestar, is a member of the Feeding America network and the hub of hunger relief in Sarasota and DeSoto Counties. In 2016, All Faiths served 63,000 individuals, distributed 8.1 million pounds of food equating to 7.1 million meals, including 2.6 million pounds of fresh produce in partnership with 184 pantries, soup kitchens, churches, community centers, schools and programs.

All Faiths is a member of Feeding America, a national network of food banks that collect food throughout the food industry for distribution to non-profit food and nutrition programs. All Faiths obtains the majority of its food inventory from local food drives, processors, wholesalers, retailers, distributors, and growers.

Basis of Consolidation

Beginning in 2016, the consolidated financial statements include the accounts of All Faiths Food Bank Foundation, Inc. (Foundation), a Florida not-for-profit corporation due to a change in the By Laws of the Foundation. The Foundation was created to receive gifts and bequests to use the principal and income generated from the investment of gifts to support All Faiths Food Bank, Inc. In early 2016, the Foundation's By Laws were amended to require at least two thirds of the Foundation Board of Directors to be appointed by All Faiths Board of Directors. As a result of this change to the By Laws, consolidated financial statements are now required. In previous years, All Faiths reported a beneficial interest in the Foundation.

The assets of the Foundation are included in the consolidated statement of financial position as noncurrent assets under 'Investments - Foundation Legacy', acknowledging their long-term nature. These assets are managed by a long-term investment strategy and provide only an annual distribution of three to five percent of market value that may be used for operating purposes. Distribution from the Foundation requires a vote by the Foundation's Board of Directors, according to its By Laws.

In 2016, All Faiths and the Foundation are referred to collectively as the Organization. All significant intercompany activity has been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

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

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a “private foundation” within the meaning of Section 509(a) of the IRC. The Organization also considers items that may be subject to tax as unrelated trade or business income each year and files the appropriate exempt organization business income tax return each year. There was no tax related to unrelated trade or business income for the year ended December 31, 2016. The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 related to accounting for uncertainty in income taxes. Management has reviewed their tax positions and concluded no liability or uncertain tax positions, or any interest or penalties related to uncertain tax positions should be recognized in the Organization’s consolidated financial statements. Therefore, no provision for income taxes is made in these consolidated financial statements. The Organization’s last three years tax filings remain open to IRS inspection.

Financial Statement Presentation

The Organization is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets were \$2,918,937 as of December 31, 2016. There were no permanently restricted net assets at December 31, 2016.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on the relative benefit provided.

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, investments with an original maturity of three months or less are considered to be cash and cash equivalents.

Donated Assets

Donated assets with an objective basis for valuation are recorded at their fair market value at the date of receipt.

Inventory

Purchased food inventory is stated at the lower of cost or market using the first-in first-out method. Donated food inventory is valued at the approximated average wholesale value of one pound of donated product at the national level as outlined in the *Product Valuation Survey Methodology* prepared annually by Feeding America. This value was \$1.67 per pound as of December 31, 2016.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for potential uncollectible amounts through a provision based on its assessment of the current status of individual accounts and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off. Management considers accounts receivable balances to be fully collectible. As a result, no allowance for uncollectible amounts has been established.

Property and Equipment

The Organization capitalizes all purchases of property and equipment in excess of \$1,000. Purchased property and equipment are capitalized at cost. Donated property and equipment are capitalized at the approximate fair value at the date of donation. Property and equipment are depreciated on the straight-line method and accelerated method over the expected useful lives.

Advertising

The Organization expenses advertising cost as incurred. Advertising expenses were \$45,124 for 2016.

Pledges

Revenues from unconditional promises to give are recognized as contributions in the period in which a receipt or an unconditional promise to give is received. Promises to give in the future are valued at the present value of the estimated future cash flows. The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's experience and analysis of specific promises made.

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Reclassification

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current year's presentation. These reclassifications had no effect on net income as previously reported.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Organization places its cash and cash equivalents with local financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Management considers the risk to be minimal and makes efforts to keep balances within FDIC limits.

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 – INVENTORY

Inventory at December 31, 2016 consisted of the following:

Donated food	\$ 827,496
Purchased food	<u>191,898</u>
Total	<u>\$1,019,394</u>

NOTE 4 – PROPERTY AND EQUIPMENT

The estimated useful lives and accumulated depreciation by major classification of assets are as follows as of December 31, 2016:

	<u>Estimated Useful Life</u>	
Vehicles	3 – 10	\$ 558,474
Warehouse equipment	5 – 20	254,762
Office equipment	3 – 10	77,352
Building and Improvements	7 – 39	<u>525,125</u>
		<u>\$ 1,415,713</u>

Depreciation expense was \$279,072 for the year ended December 31, 2016.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs or uses at December 31, 2016:

Inventory – for distribution to agencies	\$ 827,496
Programs	466,150
Campus expansion	1,356,876
Pledges receivable, net	<u>268,415</u>
Total	<u>\$ 2,918,937</u>

NOTE 6 – DONATED SERVICES

A number of volunteers have contributed approximately 43,405 hours of time in 2016 to the activities of the Organization without compensation. The consolidated financial statements do not reflect the value of these donated services because, although clearly substantial, they do not meet the criteria for recorded donated services. However, management estimates the value of these services to be \$349,408 for 2016.

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – FAIR VALUE MEASUREMENTS

The following sets forth the level, within the fair value hierarchy, of the Organization’s assets measured at fair value on a recurring basis at December 31, 2016: (see Note 1 for definitions).

	Fair Value Measurements as of December 31, 2016			
	Totals	Level 1	Level 2	Level 3
Short-Term Money Market	\$ 43,694	\$ -	\$ 43,694	\$ -
Mutual Funds				
Equities				
Large Cap	792,518	792,518	-	-
Mid Cap	13,657	13,657	-	-
Small Cap	13,984	13,984	-	-
International Developed	221,127	-	221,127	-
International Emerging	72,220	-	72,220	-
Bond	931,451	-	931,451	-
Real estate	156,049	156,049	-	-
Commodities	43,563	-	43,563	-
Total Mutual Funds	<u>2,244,569</u>	<u>976,208</u>	<u>1,268,361</u>	<u>-</u>
Total assets at fair value	<u>\$ 2,288,263</u>	<u>\$ 976,208</u>	<u>\$ 1,312,055</u>	<u>\$ -</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016. The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no significant transfers between level 1 or 2 for the period ended December 31, 2016.

The short-term money market funds are valued at amortized cost, which approximates fair market value. Money market funds seek to preserve net asset value (NAV) of \$1.00 per share. Under the amortized cost method, the portfolio instrument is initially valued at cost, and thereafter assumes the constant accretion/amortization to maturity date, or next reset date of any discount or premium.

Mutual funds are valued at the daily closing prices as reported by the fund. Mutual funds held by the Organization include open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds may also be valued as determined by an independent pricing service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – FAIR VALUE MEASUREMENTS– CONTINUED

The investments at December 31, 2016 are summarized as follows:

	<u>Fair Value</u>	<u>Cost</u>
Short-Term Money Market	\$ 43,694	\$ 43,694
Mutual Funds	<u>2,244,569</u>	<u>1,946,738</u>
Total Investments	<u>\$ 2,288,263</u>	<u>\$ 1,990,432</u>

The net realized and unrealized gains on marketable securities reported for the year were \$90,724. The investments earned \$69,621 of interest and dividend income in 2016. The interest and dividends are reported net of fees and investment costs of \$11,645.

The Organization holds various investments in securities which are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

NOTE 8 – RETIREMENT PLAN

The Organization has a defined contribution plan that is available to all employees that have completed one year of service. The Organization matches up to 5% of the employee's contribution. The employee fully vests in the Organization's contribution after five years of service. Retirement expense was \$56,937 for the year ended December 31, 2016.

NOTE 9 – PLEDGES RECEIVABLE

Unconditional pledges to the Organization consist of pledges for campus expansion and totaled \$283,500 at year end. Management reviews the collectability of pledges on an ongoing basis. At December 31, 2016, management considered all pledges to be fully collectible, thus no allowance has been recorded. Pledges to be received over a period greater than one year are discounted using a 3% discount rate.

Pledges receivable were as follows at December 31, 2016:

Receivable in less than one year	\$ 91,750
Receivable in one to five years	<u>191,750</u>
Total unconditional pledges	283,500
Less discounts to net present value	<u>(15,085)</u>
Net unconditional pledges	<u>\$ 268,415</u>

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 - LINE-OF-CREDIT

The Organization has a line of credit agreement for \$250,000. Interest is at the prime rate plus .50%, currently 4.25% and is payable on demand. Borrowings are collateralized by business assets. There was no balance outstanding at December 31, 2016.

During 2016, the Organization entered into a second line of credit agreement for \$2,000,000 for the expansion of the facility. Interest is at the one month LIBOR rate plus 2%, currently 2.72% and matures May 5, 2019. Borrowings are collateralized by the Foundation accounts and assets. There was no balance outstanding at December 31, 2016.

NOTE 11 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 19, 2017 which is the date the consolidated financial statements were available to be issued.