

ALL FAITHS FOOD BANK, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

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DECEMBER 31, 2017

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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, 2017, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses 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 policies 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 financial position of All Faiths Food Bank, Inc. 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

We have previously audited All Faiths Food Bank, Inc.'s 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 19, 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 consolidated financial statements from which it has been derived.

*Christopher, Smith, Leonard
Bristow & Stanell, P.A.*

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

April 4, 2018
Sarasota, Florida

ALL FAITHS FOOD BANK, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR DECEMBER 31, 2016)

	2017			Summarized 2016
	Unrestricted	Temporarily Restricted	Totals	
ASSETS				
Current Assets				
Cash and cash equivalents				
Available for operations	\$ 1,939,403	\$ -	\$ 1,939,403	\$ 2,038,453
Board designated campus expansion and reserve	2,716,993	-	2,716,993	1,441,993
Donor restricted	-	1,251,424	1,251,424	1,823,026
Total cash and cash equivalents	4,656,396	1,251,424	5,907,820	5,303,472
Accounts receivable	11,004	-	11,004	27,570
Grants and contracts receivable	70,115	-	70,115	63,370
Pledges receivable - current	-	127,500	127,500	91,750
Inventory	122,585	524,545	647,130	1,019,394
Prepaid expenses and deposits	62,956	-	62,956	66,868
Total Current Assets	4,923,056	1,903,469	6,826,525	6,572,424
Property and Equipment				
Land	1,084,005	-	1,084,005	1,127,206
Building and improvements	2,547,690	-	2,547,690	2,650,311
Construction in progress	1,562,867	-	1,562,867	12,029
Warehouse equipment	570,290	-	570,290	518,578
Office equipment	101,023	-	101,023	121,507
Vehicles	1,219,991	-	1,219,991	1,193,832
Less: Accumulated depreciation	(1,647,713)	-	(1,647,713)	(1,415,713)
Total Property and Equipment, net	5,438,153	-	5,438,153	4,207,750
Other Noncurrent Assets				
Investments - Legacy Fund (See Note 1)	2,494,266	-	2,494,266	-
Investments - Foundation Legacy (See Note 1)	-	-	-	2,288,263
Pledges receivable - less current portion	-	113,112	113,112	176,665
Total Other Noncurrent Assets	2,494,266	113,112	2,607,378	2,464,928
Total Assets	\$ 12,855,475	\$ 2,016,581	\$ 14,872,056	\$ 13,245,102
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 195,722	\$ -	\$ 195,722	\$ 63,867
Accrued liabilities	124,949	-	124,949	138,524
Total Current Liabilities	320,671	-	320,671	202,391
Net Assets				
Unrestricted				
Operating	1,885,392	-	1,885,392	2,185,768
Board designated - campus expansion	316,993	-	316,993	316,993
Board designated - reserve	2,400,000	-	2,400,000	1,125,000
Board designated - Legacy Fund	2,494,266	-	2,494,266	-
Board designated - Foundation	-	-	-	2,288,263
Property and equipment	5,438,153	-	5,438,153	4,207,750
Temporarily restricted	-	2,016,581	2,016,581	2,918,937
Total Net Assets	12,534,804	2,016,581	14,551,385	13,042,711
Total Liabilities and Net Assets	\$ 12,855,475	\$ 2,016,581	\$ 14,872,056	\$ 13,245,102

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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017			Summarized 2016
	Unrestricted	Temporarily Restricted	Totals	
REVENUE AND SUPPORT				
Revenue				
Maintenance fee and food cost recovery	\$ 294,462	\$ -	\$ 294,462	\$ 272,878
Miscellaneous income	5,052	-	5,052	201,642
Investment earnings	59,701	-	59,701	72,041
Realized/unrealized gains	272,423	-	272,423	90,724
Total Revenues	631,638	-	631,638	637,285
Support				
Contributions- general	2,328,727	1,909,256	4,237,983	3,521,123
Contributions - capital campaign	-	604,566	604,566	1,157,045
Special event income	319,398	-	319,398	331,667
Value of contributed inventory	-	14,078,294	14,078,294	12,289,019
Grants:				
Federal	-	71,736	71,736	71,785
Local	162,000	-	162,000	175,000
Other	368,747	1,583,699	1,952,446	1,531,467
Total Grants	530,747	1,655,435	2,186,182	1,778,252
Total Support	3,178,872	18,247,551	21,426,423	19,077,106
Net assets released from restrictions				
Value of contributed food distributed	14,339,793	(14,339,793)	-	-
Other net assets released from restrictions	4,810,114	(4,810,114)	-	-
TOTAL REVENUE AND SUPPORT	22,960,417	(902,356)	22,058,061	19,714,391
EXPENDITURES				
Program and Support Services				
Program services	19,055,315	-	19,055,315	15,814,325
General and administrative	474,318	-	474,318	415,245
Fundraising	1,019,754	-	1,019,754	916,112
TOTAL EXPENDITURES	20,549,387	-	20,549,387	17,145,682
INCREASE (DECREASE) IN NET ASSETS	2,411,030	(902,356)	1,508,674	2,568,709
NET ASSETS, BEGINNING OF YEAR	10,123,774	2,918,937	13,042,711	10,474,002
NET ASSETS, END OF YEAR	\$ 12,534,804	\$ 2,016,581	\$ 14,551,385	\$ 13,042,711

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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	Summarized 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,508,674	\$ 2,568,709
Adjustments to reconcile increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	301,601	279,072
Realized/unrealized gains	(272,423)	(90,724)
Loss on disposal of assets	130,528	1,444
Bad debt	813	25,905
Decrease (increase) in:		
Accounts receivable	15,753	(1,684)
Grants and contracts receivable	(6,745)	16,733
Capital campaign pledges receivable	27,803	(237,435)
Inventory	372,264	(246,778)
Prepaid expenses and deposits	3,912	20,149
(Decrease) increase in:		
Accounts payable	131,855	34,729
Accrued liabilities	(13,575)	(15,981)
Total Cash Provided by Operating Activities	<u>2,200,460</u>	<u>2,354,139</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,662,532)	(210,242)
Net sale of investments	<u>66,420</u>	<u>15,701</u>
Total Cash Used by Investing Activities	<u>(1,596,112)</u>	<u>(194,541)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	604,348	2,159,598
CASH AND CASH EQUIVALENTS – Beginning of year	<u>5,303,472</u>	<u>3,143,874</u>
CASH AND CASH EQUIVALENTS – End of year	<u><u>\$ 5,907,820</u></u>	<u><u>\$ 5,303,472</u></u>

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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017				Summarized
	Program Services	General and Administrative	Fundraising	Totals	2016
Salaries	\$ 1,245,396	\$ 281,205	\$ 368,779	\$ 1,895,380	\$ 1,726,423
Payroll taxes and workers compensation	118,714	26,335	34,602	179,651	321,330
Employee benefits	286,903	54,019	61,733	402,655	164,849
HR/payroll other	3,978	1,030	1,044	6,052	11,552
Total salaries and employee benefits	1,654,991	362,589	466,158	2,483,738	2,224,154
Advertising & publicity	5,964	332	74,127	80,423	45,124
Professional fees	76,769	56,947	246,200	379,916	293,413
Contract services	56,226	1,579	-	57,805	73,284
Depreciation	284,634	6,543	10,424	301,601	279,072
Subscriptions & newsletters	305	-	25,452	25,757	2,214
Events & special initiatives	13,265	104	37,991	51,360	74,750
Donated food distributed	14,339,793	-	-	14,339,793	12,150,087
Purchased food distributed	1,697,069	-	-	1,697,069	1,165,072
Donated food adjustments	41,452	-	-	41,452	-
Freight & delivery fees on donated food	108,066	-	-	108,066	60,936
Occupancy	117,722	3,602	6,019	127,343	90,357
Insurance	90,080	9,491	7,920	107,491	102,872
Meetings & conferences	5,769	6,508	10,924	23,201	20,015
Membership dues	5,435	1,983	4,620	12,038	10,142
Postage & mailing	252	311	46,779	47,342	48,119
Printing & copying	7,589	197	7,411	15,197	12,676
Equipment, rental, repairs & maintenance	128,352	654	977	129,983	89,056
Supplies	80,698	2,140	17,547	100,385	118,839
Telephone	41,009	4,705	11,493	57,207	46,382
Truck rental, maintenance & fuel	150,031	-	-	150,031	154,080
Travel	24,661	7,681	19,910	52,252	42,922
Bank, merchant & investment advisory fees	-	6,090	21,396	27,486	14,338
Loss on disposal of assets	123,364	2,709	4,406	130,479	77
Miscellaneous	1,819	153	-	1,972	27,701
TOTAL	\$ 19,055,315	\$ 474,318	\$ 1,019,754	\$ 20,549,387	\$ 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, 2017

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 Charity Navigator, is a member of the Feeding America network and the hub of hunger relief in Sarasota and DeSoto Counties. In 2017, All Faiths served 66,000 individuals, distributed 10.2 million pounds of food equating to 8.5 million meals, including 3.2 million pounds of fresh produce in partnership with 188 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 2017, All Faiths and the Foundation are referred to collectively as the Organization. All significant intercompany activity has been eliminated in consolidation. The Foundation was dissolved in 2017 with the Foundation's assets transferred to All Faiths and is presented under Investments – Legacy Fund.

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, 2017

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, 2017. 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 \$2,016,581 as of December 31, 2017. There were no permanently restricted net assets at December 31, 2017.

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, 2017

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 net realizable value 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 \$1.73 per pound as of December 31, 2017. U.S. Department of Agriculture (USDA) donated food inventory is valued at USDA published rates.

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 \$80,423 for 2017.

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

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

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.

Summarized Financial Information

The consolidated 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 the Organization's consolidated financial statements for the year ended December 31, 2016 from which the summarized information was derived.

Reclassifications

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

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

NOTE 3 – INVENTORY

Inventory at December 31, 2017 consisted of the following:

Donated food	\$ 524,545
Purchased food	<u>122,585</u>
Total	<u>\$ 647,130</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, 2017:

	<u>Estimated Useful Life</u>	
Vehicles	3 – 10	\$ 686,602
Warehouse equipment	5 – 20	318,247
Office equipment	3 – 10	64,559
Building and improvements	5 – 39	<u>578,305</u>
		<u>\$ 1,647,713</u>

Depreciation expense was \$301,601 for the year ended December 31, 2017.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs or uses at December 31, 2017:

Inventory – for distribution to agencies	\$ 524,545
Programs	833,188
Campus expansion	418,236
Pledges receivable, net	<u>240,612</u>
Total	<u>\$ 2,016,581</u>

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – DONATED SERVICES

A number of volunteers have contributed approximately 47,145 hours of time in 2017 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 \$1,070,192 for 2017 based on the rate provided by the Independent Sector for the value of volunteer time for the State of Florida.

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, 2017: (see Note 1 for definitions).

	Fair Value Measurements as of December 31, 2017			
	Totals	Level 1	Level 2	Level 3
Short-Term Money Market	\$ 43,885	\$ –	\$ 43,885	\$ –
Mutual Funds				
Equities				
Large Cap	874,747	874,747	–	–
Mid Cap	151,824	151,824	–	–
Small Cap	144,492	144,492	–	–
International Developed	421,344	421,344	–	–
International Emerging	126,858	–	126,858	–
Bond	656,830	–	656,830	–
Real estate	74,286	–	74,286	–
Total Mutual Funds	2,450,381	1,592,407	857,974	–
Total assets at fair value	<u>\$ 2,494,266</u>	<u>\$ 1,592,407</u>	<u>\$ 901,859</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, 2017. 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, 2017.

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

ALL FAITHS FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 – FAIR VALUE MEASUREMENTS– CONTINUED

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.

The investments at December 31, 2017 are summarized as follows:

	<u>Fair Value</u>	<u>Cost</u>
Short-Term Money Market	\$ 43,885	\$ 43,885
Mutual Funds	2,450,381	2,433,944
Total Investments	<u>\$ 2,494,266</u>	<u>\$ 2,477,829</u>

The net realized and unrealized gains on marketable securities reported for the year were \$272,423. The investments earned \$59,701 of interest and dividend income in 2017. Fees and investment costs of \$5,985 are included in bank, merchant and investment advisory fees on the statement of function expenses.

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 \$63,299 for the year ended December 31, 2017.

NOTE 9 – PLEDGES RECEIVABLE

Unconditional pledges to the Organization consist of pledges for campus expansion and totaled \$247,500 at year end. Management reviews the collectability of pledges on an ongoing basis. At December 31, 2017, 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.

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NOTE 9 - PLEDGES RECEIVABLE - CONTINUED

Pledges receivable were as follows at December 31, 2017:

Receivable in less than one year	\$127,500
Receivable in one to five years	<u>120,000</u>
Total unconditional pledges	247,500
Less discounts to net present value	<u>(6,888)</u>
Net unconditional pledges	<u>\$ 240,612</u>

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 5% and is payable on demand. Borrowings are collateralized by business assets. There was no balance outstanding at December 31, 2017.

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 3.49% and matures May 5, 2019. Borrowings are collateralized by the Foundation accounts and assets. There was no balance outstanding at December 31, 2017.

NOTE 11 - COMMITMENTS

The Organization entered into a contract for capital expansion. The amount remaining on the contract was approximately \$1,555,000 at December 31, 2017.

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 4, 2018 which is the date the consolidated financial statements were available to be issued.