

**ST. LOUIS AREA FOOD BANK, INC.**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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## Independent Auditors' Report

Board of Directors  
St. Louis Area Food Bank, Inc.  
Bridgeton, Missouri

We have audited the accompanying financial statements of St. Louis Area Food Bank, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Louis Area Food Bank, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2019, on our consideration of St. Louis Area Food Bank, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Louis Area Food Bank, Inc.'s internal control over financial reporting and compliance.

*Anders Minkler Huber & Helms LLP*

February 8, 2019

**St. Louis Area Food Bank, Inc.**  
**Statements of Financial Position**  
**September 30, 2018 and 2017**

**Assets**

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 723,325	\$ 1,185,118
Investments, at fair value	-	996,000
Accounts receivable, net	64,176	78,222
Grants receivable	308,570	373,799
Unconditional promises to give, net	135,217	170,692
Inventory	3,606,507	4,237,522
Prepaid expenses and other current assets	117,395	207,862
Total Current Assets	4,955,190	7,249,215
 Unconditional Promises to Give, net	 52,900	 82,900
 Property and Equipment, net	 9,831,437	 9,995,502
 Investments, at fair value	 6,998,047	 4,160,872
 Total Assets	 \$ 21,837,574	 \$ 21,488,489

**Liabilities and Net Assets**

Current Liabilities		
Current maturities of long-term debt	\$ -	\$ 1,959
Accounts payable	292,909	203,995
Accrued expenses	288,447	274,005
Total Current Liabilities	581,356	479,959
 Net Assets		
Unrestricted		
Board designated endowment	1,054,385	13,339
Board designated reserves	5,932,852	4,136,728
Invested in property and equipment, net of debt	9,831,437	9,993,543
Undesignated, available for operations	4,057,326	6,419,228
Total Unrestricted	20,876,000	20,562,838
 Temporarily restricted	 370,218	 435,692
 Permanently restricted	 10,000	 10,000
Total Net Assets	21,256,218	21,008,530
 Total Liabilities and Net Assets	 \$ 21,837,574	 \$ 21,488,489

**St. Louis Area Food Bank, Inc.**  
**Statement of Activities**  
**Year Ended September 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Program fees	\$ 402,602	\$ -	\$ -	\$ 402,602
Contributions	5,137,835	281,197	-	5,419,032
Government grants	3,596,508	-	-	3,596,508
Investment income, net	342,576	-	-	342,576
Other income	69,153	-	-	69,153
Consumable product donations/receipts	<u>71,084,913</u>	<u>-</u>	<u>-</u>	<u>71,084,913</u>
	<u>80,633,587</u>	<u>281,197</u>	<u>-</u>	<u>80,914,784</u>
Net assets released from restrictions				
Satisfaction of time and usage restrictions	<u>346,671</u>	<u>(346,671)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>80,980,258</u>	<u>(65,474)</u>	<u>-</u>	<u>80,914,784</u>
Expenses				
Program services - food distribution	<u>77,987,370</u>	<u>-</u>	<u>-</u>	<u>77,987,370</u>
Supporting activities				
Management and general	1,260,182	-	-	1,260,182
Fundraising	<u>1,419,544</u>	<u>-</u>	<u>-</u>	<u>1,419,544</u>
Total Supporting Activities	<u>2,679,726</u>	<u>-</u>	<u>-</u>	<u>2,679,726</u>
Total Expenses	<u>80,667,096</u>	<u>-</u>	<u>-</u>	<u>80,667,096</u>
Change in Net Assets	313,162	(65,474)	-	247,688
Net Assets, Beginning of Year	<u>20,562,838</u>	<u>435,692</u>	<u>10,000</u>	<u>21,008,530</u>
Net Assets, End of Year	<u>\$20,876,000</u>	<u>\$ 370,218</u>	<u>\$ 10,000</u>	<u>\$21,256,218</u>

**St. Louis Area Food Bank, Inc.**  
**Statement of Activities**  
**Year Ended September 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Program fees	\$ 425,685	\$ -	\$ -	\$ 425,685
Contributions	4,838,184	315,670	-	5,153,854
Government grants	2,697,785	-	-	2,697,785
Investment income, net	379,977	-	-	379,977
Other income	77,080	-	-	77,080
Consumable product donations/receipts	<u>73,680,424</u>	<u>-</u>	<u>-</u>	<u>73,680,424</u>
	82,099,135	315,670	-	82,414,805
Net assets released from restrictions				
Satisfaction of time and usage restrictions	<u>482,666</u>	<u>(482,666)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>82,581,801</u>	<u>(166,996)</u>	<u>-</u>	<u>82,414,805</u>
Expenses				
Program services - food distribution	<u>78,931,555</u>	<u>-</u>	<u>-</u>	<u>78,931,555</u>
Supporting activities				
Management and general	1,154,174	-	-	1,154,174
Fundraising	<u>1,454,913</u>	<u>-</u>	<u>-</u>	<u>1,454,913</u>
Total Supporting Activities	<u>2,609,087</u>	<u>-</u>	<u>-</u>	<u>2,609,087</u>
Total Expenses	<u>81,540,642</u>	<u>-</u>	<u>-</u>	<u>81,540,642</u>
Change in Net Assets	1,041,159	(166,996)	-	874,163
Net Assets, Beginning of Year	<u>19,521,679</u>	<u>602,688</u>	<u>10,000</u>	<u>20,134,367</u>
Net Assets, End of Year	<u>\$20,562,838</u>	<u>\$ 435,692</u>	<u>\$ 10,000</u>	<u>\$21,008,530</u>

**St. Louis Area Food Bank, Inc.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2018**

	<u>Supporting Activities</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and related items	\$ 2,783,021	\$ 970,767	\$ 575,740	\$ 4,329,528
Professional fees	24,332	136,203	56,520	217,055
Supplies	155,425	12,425	3,380	171,230
Telephone	56,428	7,774	6,386	70,588
Postage and shipping	13,706	2,371	2,079	18,156
Occupancy	436,655	15,512	10,588	462,755
Rental and maintenance	168,909	23,151	21,373	213,433
Printing and publications	14,280	2,829	660,019	677,128
Meetings and travel	56,619	35,828	12,390	104,837
Food and product distribution	72,955,332	-	-	72,955,332
Fleet management	442,469	77	-	442,546
Grants to agencies	96,734	-	-	96,734
Miscellaneous	2,191	3,195	41,868	47,254
Insurance	99,604	22,710	8,672	130,986
Dues	121,084	5,331	3,439	129,854
Total Expenses Before Depreciation	77,426,789	1,238,173	1,402,454	80,067,416
Depreciation	560,581	22,009	17,090	599,680
Total Expenses	<u>\$ 77,987,370</u>	<u>\$ 1,260,182</u>	<u>\$ 1,419,544</u>	<u>\$ 80,667,096</u>

**St. Louis Area Food Bank, Inc.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2017**

	<u>Supporting Activities</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and related items	\$ 2,598,579	\$ 935,756	\$ 552,779	\$ 4,087,114
Professional fees	16,172	39,302	14,723	70,197
Supplies	133,724	3,288	2,366	139,378
Telephone	55,537	8,574	7,049	71,160
Postage and shipping	14,015	2,728	2,209	18,952
Occupancy	379,612	12,395	8,296	400,303
Rental and maintenance	124,328	13,921	15,512	153,761
Printing and publications	21,792	6,696	775,462	803,950
Meetings and travel	65,515	31,926	15,372	112,813
Food and product distribution	74,195,269	-	-	74,195,269
Fleet management	400,100	-	30	400,130
Grants to agencies	222,986	-	-	222,986
Miscellaneous	1,670	51,608	33,467	86,745
Insurance	81,316	20,558	7,225	109,099
Dues	79,518	5,941	3,643	89,102
Total Expenses Before Depreciation	<u>78,390,133</u>	<u>1,132,693</u>	<u>1,438,133</u>	<u>80,960,959</u>
Depreciation	<u>541,422</u>	<u>21,481</u>	<u>16,780</u>	<u>579,683</u>
Total Expenses	<u><u>\$78,931,555</u></u>	<u><u>\$ 1,154,174</u></u>	<u><u>\$1,454,913</u></u>	<u><u>\$81,540,642</u></u>

**St. Louis Area Food Bank, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2018 and 2017**

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 247,688	\$ 874,163
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	599,680	579,683
Realized and unrealized gains on investments	(229,168)	(298,888)
Loss on disposal of property and equipment	-	48,172
Donated securities	(76,491)	(63,966)
(Increase) decrease in assets		
Accounts receivable, net	14,046	(19,064)
Grants receivable	65,229	(71,725)
Unconditional promises to give, net	65,475	106,346
Inventory	631,015	(768,798)
Prepaid expenses and other current assets	90,467	83,960
Increase (decrease) in liabilities		
Accounts payable	88,914	(297,977)
Accrued expenses	14,442	19,954
Net Cash Provided by Operating Activities	1,511,297	191,860
Cash Flows From Investing Activities		
Proceeds from sales of investments	3,534,201	1,271,975
Purchases of investments	(5,069,717)	(2,025,540)
Purchases of property and equipment	(435,615)	(1,576,880)
Net Cash Used in Investing Activities	(1,971,131)	(2,330,445)
Cash Flows From Financing Activities		
Payments on long-term debt	(1,959)	(1,919)
Net Cash Used in Financing Activities	(1,959)	(1,919)
Net Decrease in Cash and Cash Equivalents	(461,793)	(2,140,504)
Cash and Cash Equivalents, Beginning of Year	1,185,118	3,325,622
Cash and Cash Equivalents, End of Year	\$ 723,325	\$ 1,185,118
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 41	\$ 81

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

**1. Nature of Operations and Basis of Presentation**

**Organization**

St. Louis Area Food Bank, Inc. (the "Organization"), is a not-for-profit organization established to collect, warehouse, and distribute food items to social service agencies for food distribution and on-site serving programs.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified into three categories of net assets, as applicable, and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent unrestricted net assets that have been set aside to help ensure the long-term financial stability of the Organization. These funds shall be utilized only when costs cannot otherwise be funded by operations or specific donations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations required to be maintained permanently by the Organization.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

**Fair Value Measurements**

The Organization follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

**Cash and Cash Equivalents**

The Organization considers all short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Investments**

The Organization carries investments at fair value with unrealized holding gains and losses included in earnings. Realized gains and losses are included in earnings and are derived using the average cost method for determining the cost of securities sold. Dividend and interest income is recognized when earned.

**Accounts Receivable**

Accounts receivable are uncollateralized obligations due primarily for shared maintenance fees from member agencies under normal trade terms generally requiring payment within 30 days of the invoice date.

The Organization provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable. This estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. The allowance for doubtful accounts totaled \$2,659 and \$2,700 as of September 30, 2018 and 2017, respectively.

**Grants Receivable**

Grants receivable includes amounts due from various funding agencies under binding contracts with the Organization for services rendered prior to year-end.

**Unconditional Promises to Give**

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using risk-free interest rates applicable to the years in which the promises are to be received.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

The Organization provides an allowance for doubtful promises to give equal to the estimated losses that will be incurred in the collection of unconditional promises to give. This estimate is based on historical experience coupled with a review of the current status of existing promises. The allowance and associated promises are reduced when the promises are determined to be uncollectible. The Organization considers unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful promises to give is deemed necessary.

**Inventory**

The Organization's inventory consists of donated food items, USDA product, and minimal amounts of purchased items. The donated products received and distributed by the Organization have been valued and recorded in the accompanying financial statements in accordance with FASB's guidance on accounting for contributions received and contributions made. Donated products are valued at fair value using product distribution pricing guidelines provided by Feeding America, a national consortium of regional food banks. The estimated fair value prices per pound of \$1.57 and \$1.68 for donated federal product and other donated product, respectively, were used in determining donated product as of and for the year ended September 30, 2018. The estimated fair value price per pound of \$1.52 and \$1.73 for donated federal product and other donated product, respectively, were used in determining donated product as of and for the year ended September 30, 2017.

**Property and Equipment**

Property and equipment acquisitions with a cost in excess of \$1,000 are capitalized and recorded at cost, while maintenance and repairs are expensed as incurred. Donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated lives for computing depreciation on property and equipment are:

<u>Classification</u>	<u>Years</u>
Building and improvements	5-40
Machinery and equipment	5-20
Vehicles	2-8
Office equipment	3-15

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

**Long-Lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2018 and 2017.

**Endowment Fund**

In September 2015, the Board of Directors approved the establishment of an Endowment Fund (the "Endowment") to provide a continuous source of income to support the Organization's mission. In 2016, the Organization received its first contribution restricted to the Endowment.

The State of Missouri has enacted the State Prudent Management of Institutional Funds Act ("SPMIFA"). The Organization follows FASB guidance on accounting for the net assets classification of restricted endowment funds for a not-for-profit organization that is subject to the enacted version of SPMIFA. The Organization has determined that the Endowment meets the definition of endowment funds under SPMIFA.

The Organization has interpreted SPMIFA as requiring the preservation of the original gift amount. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of funds may be appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by SPMIFA.

**Support and Revenue**

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donor restricted contributions in which the restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Government contracts are generally recognized as income in the period that specific services are provided.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

**Donated Materials and Services**

Donated noncash assets are recorded as contributions at their fair values at the date of donation. Significant food products, services, and materials are donated to the Organization by various individuals, organizations, and state governments. Donated food products, with a fair value of \$71,084,913 and \$73,680,424 at the date of donation, have been included in the financial statements for the years ended September 30, 2018 and 2017, respectively.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. During the years ended September 30, 2018 and 2017, these volunteers donated approximately 45,500 and 43,900 hours, respectively, with an estimated value of \$1,123,395 and \$1,059,746, respectively. This value was computed using an estimated hourly rate of \$24.69 in 2018 and \$24.14 in 2017, based upon the average hourly earnings of all production and nonsupervisory workers on private nonfarm payrolls, as determined by the U.S. Department of Labor's Bureau of Labor Statistics and reported by Independent Sector, plus 12 percent for estimated fringe benefits.

**Functional Expense Allocation**

The Organization allocates expenses on a functional basis among various programs and supporting activities. Expenses that can be identified with a specific program and supporting activity are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various statistical bases.

**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Organization files as a tax exempt organization.

The Organization follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Organization's returns for tax years 2014 and later remain subject to examination by taxing authorities.

**Subsequent Events**

The Organization has evaluated subsequent events through February 8, 2019, the date the financial statements were available to be issued.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

**Recent Accounting Pronouncements**

**Not-for-Profit Entities**

The FASB has issued new guidance on financial reporting for not-for-profit entities. The guidance requires a not-for-profit entity to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than that of the currently required three classes. Not-for-profit entities will continue reporting the currently required amount of the change in total net assets for the period. The guidance also requires a not-for-profit entity to continue to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a not-for-profit entity will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets. The guidance also requires a not-for-profit entity to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The guidance also requires enhanced disclosures about the following:

- Amounts and purposes of governing board designations, appropriations, etc.,
- Composition of net assets with donor restrictions at the end of the period,
- Qualitative information that communicates how an entity manages its liquid resources,
- Quantitative and additional qualitative information, as necessary, that communicates the availability of an entity's financial assets,
- Amounts of expenses by both their natural classification and their functional classification,
- Method(s) used to allocate costs among program and support functions,
- Underwater endowment funds.

The guidance also requires that the Organization report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses. The guidance also requires that the Organization use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

The guidance will be required for the first fiscal year beginning after December 15, 2017. Based on a preliminary analysis, the Organization expects the new guidance will have a significant impact on the presentation of its financial statements.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**September 30, 2018 and 2017**

**Revenue from Contracts with Customers**

The FASB has issued new guidance on the recognition of revenue from contracts with customers. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should apply a five step process to (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance will be required for the first fiscal year beginning after December 15, 2018. Based on a preliminary analysis, the Organization has not yet determined what impact, if any, this new guidance will have on its financial statements.

**3. Fair Value Measurements**

The framework for measuring fair value establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into Levels 1, 2, and 3. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets.
Level 2	Inputs to the valuation methodology to include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The instruments' 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Carrying amounts of certain financial instruments such as cash and cash equivalents, accounts receivable, grants receivable, promises to give, accounts payable, accrued expenses, and a note payable approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used at September 30, 2018 and 2017.

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Following is a description of the valuation methodologies used for instruments measured at fair value:

Level 1 Instruments consist of publicly traded money market funds, exchange traded funds, and mutual funds. These securities are traded on national exchanges and are stated at the last reported sales price on the day of valuation. Instruments also include certificates of deposit that are stated at the carrying value.

The following table presents the fair value measurements of instruments recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at September 30, 2018 and 2017:

	2018			
	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 247,858	\$ 247,858	\$ -	\$ -
Mutual Funds:				
Small cap	376,602	376,602	-	-
Mid cap	474,817	474,817	-	-
Large cap	733,264	733,264	-	-
Fixed income	2,303,185	2,303,185	-	-
Real estate	101,314	101,314	-	-
International	474,975	474,975	-	-
Managed futures	100,385	100,385	-	-
	<u>4,564,542</u>	<u>4,564,542</u>	<u>-</u>	<u>-</u>
Exchange Traded Funds:				
Mid cap value	223,483	223,483	-	-
Large cap	1,203,149	1,203,149	-	-
International	596,913	596,913	-	-
Preferred stock	85,214	85,214	-	-
Energy	76,888	76,888	-	-
	<u>2,185,647</u>	<u>2,185,647</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 6,998,047</u>	<u>\$ 6,998,047</u>	<u>\$ -</u>	<u>\$ -</u>

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	2017			
	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 166,693	\$ 166,693	\$ -	\$ -
Mutual funds:				
Small cap	256,133	256,133	-	-
Mid cap	187,167	187,167	-	-
Large cap	452,823	452,823	-	-
Fixed income	1,227,974	1,227,974	-	-
Real estate	66,886	66,886	-	-
International	76,075	76,075	-	-
Managed futures	64,970	64,970	-	-
	<u>2,332,028</u>	<u>2,332,028</u>	<u>-</u>	<u>-</u>
Exchange Traded Funds:				
Mid cap value	199,586	199,586	-	-
Large cap	927,173	927,173	-	-
International	452,312	452,312	-	-
Preferred stock	40,750	40,750	-	-
Energy	42,330	42,330	-	-
	<u>1,662,151</u>	<u>1,662,151</u>	<u>-</u>	<u>-</u>
Certificates of deposit	996,000	996,000	-	-
Total Investments	<u>\$ 5,156,872</u>	<u>\$ 5,156,872</u>	<u>\$ -</u>	<u>\$ -</u>

**4. Investments**

A summary of the cost and fair value of the Organization's investments as of September 30, is as follows:

	2018		
	Cost	Unrealized Gains	Fair Value
Money market funds	\$ 247,858	\$ -	\$ 247,858
Mutual funds	4,404,675	159,867	4,564,542
Exchange traded funds	1,598,761	586,886	2,185,647
	<u>\$ 6,251,294</u>	<u>\$ 746,753</u>	<u>\$ 6,998,047</u>

  

	2017		
	Cost	Unrealized Gains	Fair Value
Money market funds	\$ 166,693	\$ -	\$ 166,693
Mutual funds	2,204,864	127,164	2,332,028
Exchange traded funds	1,241,406	420,745	1,662,151
Certificates of deposit	996,000	-	996,000
	<u>\$ 4,608,963</u>	<u>\$ 547,909</u>	<u>\$ 5,156,872</u>

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Investment income for the years ended September 30, is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 145,462	\$ 104,106
Net realized and unrealized gains on investments reported at fair value	<u>229,168</u>	<u>298,888</u>
	374,630	402,994
Less: Investment expenses	<u>32,054</u>	<u>23,017</u>
Total Investment Income	<u>\$ 342,576</u>	<u>\$ 379,977</u>

All investments, except for certificates of deposit and Endowment funds, are part of a Board Designated Reserve (the "Reserve") established by the Board of Directors, managed by an outside investment advisor, and governed by a Board approved investment policy. The general purpose of the Reserve is to help ensure the long-term financial stability of the Organization and position it to respond to varying economic conditions and changes affecting the Organization's financial position and the ability of the Organization to continuously carry out its mission. The Board believes that the achievement of the desired investment performance is primarily a function of asset class mix. It further believes that diversification is important for minimizing risk for a given level of returns. Assets should be allocated to various asset classes that serve the purpose of asset growth, principal protection, and/or inflation hedging.

**5. Unconditional Promises to Give**

Unconditional promises to give at September 30, are as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 135,217	\$ 170,692
One to five years	<u>60,000</u>	<u>90,000</u>
	195,217	260,692
Less:		
Unamortized discount	<u>7,100</u>	<u>7,100</u>
Net unconditional promises to give	<u>\$ 188,117</u>	<u>\$ 253,592</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4.25 at September 30, 2018 and 2017. The amounts are classified on the statements of financial position as follows:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give - current	\$ 135,217	\$ 170,692
Unconditional promises to give - long-term	<u>52,900</u>	<u>82,900</u>
	<u>\$ 188,117</u>	<u>\$ 253,592</u>

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**6. Inventory**

The Organization distributes products to approximately 600 social service agencies for use in their food distribution and on-site serving programs. The Organization distributes USDA product primarily through The Emergency Food Assistance Program ("TEFAP") and the Commodity Supplemental Food Program ("CSFP") in Missouri and Illinois. Food products distributed, in pounds, during the years ended September 30, are as follows:

	<u>2018</u>	<u>2017</u>
Donated products	32,435,801	32,054,483
Purchased products	510,576	551,815
Missouri USDA (TEFAP)	4,001,218	4,989,375
Missouri USDA (CSFP)	2,710,505	2,452,509
Illinois USDA (TEFAP)	2,355,205	2,313,438
Illinois USDA (CSFP)	<u>1,483,123</u>	<u>1,156,630</u>
	<u>43,496,428</u>	<u>43,518,250</u>

Inventory as of September 30, is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Pounds</u>	<u>Amount</u>	<u>Pounds</u>	<u>Amount</u>
Donated products	677,539	\$ 1,138,264	916,548	\$ 1,585,627
Purchased products	29,668	32,798	165,456	114,786
Missouri USDA (TEFAP)	251,886	395,463	300,701	457,068
Missouri USDA (CSFP)	679,141	1,066,252	790,744	1,201,931
Illinois USDA (TEFAP)	223,074	350,229	87,574	133,115
Illinois USDA (CSFP)	<u>397,134</u>	<u>623,501</u>	<u>490,128</u>	<u>744,995</u>
	<u>2,258,442</u>	<u>\$ 3,606,507</u>	<u>2,751,151</u>	<u>\$ 4,237,522</u>

**7. Property and Equipment**

Property and equipment at September 30, is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,322,800	\$ 1,322,800
Building and improvements	10,003,234	9,889,608
Machinery and equipment	787,161	714,280
Vehicles	1,839,860	1,696,601
Office equipment	625,640	591,524
Construction in progress	<u>24,212</u>	<u>-</u>
	14,602,907	14,214,813
Less accumulated depreciation	<u>4,771,470</u>	<u>4,219,311</u>
	<u>\$ 9,831,437</u>	<u>\$ 9,995,502</u>

**St. Louis Area Food Bank, Inc.**  
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Depreciation expense was \$599,680 and \$579,683 for the years ended September 30, 2018 and 2017, respectively.

**8. Line of Credit**

The Organization has a line of credit agreement (the "Agreement") of \$1,500,000 scheduled to expire on April 22, 2019. Borrowings are charged interest at LIBOR (2.11 percent at September 30, 2018) plus 1.50 percent, and are secured by the Organization's operating facility. At September 30, 2018 and 2017, there were no borrowings outstanding under the line of credit.

**9. Long-term Debt**

The Organization had a note payable for solar panels that matured in June 2018. The note had a variable interest rate of LIBOR plus 2 percent and required annual principal and interest payments of \$2,000. At September 30, 2017, there were current maturities of \$1,959. The note was paid in full in June 2018.

**10. Restricted Net Assets**

Temporarily restricted net assets at September 30, are as follows:

	2018	2017
United Way	\$ 105,218	\$ 109,554
Foundation grants and corporate contributions	175,000	206,138
Capital Campaign	90,000	120,000
	\$ 370,218	\$ 435,692

Net assets totaling \$346,671 and \$482,666 were released from donor restrictions during the years ended September 30, 2018 and 2017, respectively, as a result of collection of unconditional promises to give and use of funds for their restricted purposes.

**11. Endowment Funds**

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to the Organization, while also maintaining the purchasing power of those endowment assets over the long-term. Disbursements, other than amounts to pay investment fees, require the approval of the Board of Directors. In accordance with the Endowment Fund Policy Statement, the Organization will not take distributions from the Endowment until the balance reaches \$2,000,000.

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Endowment funds at September 30, are as follows:

2018			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
\$ 1,054,385	\$ -	\$ 10,000	\$ 1,064,385
2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
\$ 13,339	\$ -	\$ 10,000	\$ 23,339

Changes in endowment net assets for the years ended September 30, are as follows:

2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets, beginning of year	\$ 13,339	\$ -	\$ 10,000	\$ 23,339
Contributions	1,027,980	-	-	1,027,980
Investment income, net of fees	11,873	-	-	11,873
Net appreciation	1,193	-	-	1,193
Endowment net assets, end of year	\$ 1,054,385	\$ -	\$ 10,000	\$ 1,064,385
2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets, beginning of year	\$ 10,927	\$ -	\$ 10,000	\$ 20,927
Investment income	623	-	-	623
Net appreciation	1,789	-	-	1,789
Endowment net assets, end of year	\$ 13,339	\$ -	\$ 10,000	\$ 23,339

**St. Louis Area Food Bank, Inc.**  
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**12. Agreements and Contracts**

The Organization has primary responsibility for warehousing, handling, and distributing USDA-donated foods under TEFAP within its Missouri and Illinois service territories. The Organization receives grants from the Missouri Department of Social Services, Division of Family Services, and Illinois Department of Human Services to offset certain operating expenses incurred in the distribution of the food. The donated foods received by the Organization under TEFAP are distributed to food pantries and on-site serving centers.

In addition, the Organization has responsibility for warehousing, handling, repackaging and distributing USDA-donated and other foods under CSFP and Temporary Assistance for Needy Families programs. The Organization receives grants through the Missouri Department of Health and Senior Services and the Illinois Department of Human Services to offset certain expenses incurred in the repackaging and distribution of this food.

**13. Retirement Plan**

The Organization maintains a contributory retirement savings plan under Section 403(b) of the Code. The plan covers employees that meet certain eligibility requirements. Employees may make discretionary contributions to the plan through payroll deductions up to the maximum amount allowed by the Code. The Organization contributes five percent of each eligible employee's base salary and matches 50 percent of the first six percent of employee contributions to the plan. Contributions to the plan were \$240,362 and \$198,908 for the years ended September 30, 2018 and 2017, respectively.

**14. Affiliate Agreement**

The Organization is a member in the national network of Feeding America through an Affiliate Contract that is in place. The Affiliate Contract establishes the Organization's exclusive service area and sets forth a variety of compliance requirements. Dues are remitted to Feeding America by the Organization based on a formula defined in the agreement.

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**15. Risks and Uncertainties**

**Concentration of Credit Risk**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, receivables, and investments. The Organization maintains its cash with one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2018, there were cash balances of \$504,762 in excess of federally insured limits at this bank. The Organization performs ongoing credit evaluations of its customers and maintains allowances, as needed, for potential credit losses. Although the Organization is directly affected by the financial stability of its customer base, management does not believe significant credit risk exists at September 30, 2018. The Organization maintains its investments primarily with one brokerage firm. Securities held at this firm are insured by the Securities Investor Protection Corporation up to \$500,000. As of September 30, 2018, there were investment balances of \$6,498,047 in excess of SIPC limits at the brokerage firm.

**Investments**

The Organization invests in various investment securities. Investment securities 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 change could materially affect the amounts reported in the accompanying statements of financial position.