

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

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION AND  
INDEPENDENT AUDITORS' REPORT,  
AND UNIFORM GUIDANCE  
REPORTS AND SCHEDULES**

**NINE MONTHS ENDED JUNE 30, 2019**

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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 statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the nine months 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 audit. We conducted our audit 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 June 30, 2019, and the changes in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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 solely 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 the effectiveness of the St. Louis Area Food Bank, Inc.'s 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



October 22, 2019

**St. Louis Area Food Bank, Inc.**  
**Statement of Financial Position**  
**June 30, 2019**

**Assets**

Current Assets	
Cash	\$ 1,828,781
Accounts receivable, net	63,299
Grants receivable	509,701
Unconditional promises to give	258,384
Inventory	4,809,653
Prepaid expenses and other current assets	<u>117,497</u>
Total Current Assets	7,587,315
Unconditional Promises to Give, net	197,600
Property and Equipment, net	9,573,744
Investments, at fair value	<u>7,223,282</u>
Total Assets	<u>\$ 24,581,941</u>

**Liabilities and Net Assets**

Current Liabilities	
Accounts payable	\$ 279,973
Accrued expenses	280,616
Deferred revenue	<u>57,738</u>
Total Current Liabilities	<u>618,327</u>
Net Assets	
Without donor restrictions	
Board designated endowment	1,102,229
Board designated reserves	6,110,189
Invested in property and equipment, net of debt	9,573,744
Undesignated, available for operations	6,695,267
With donor restrictions	<u>482,185</u>
Total Net Assets	<u>23,963,614</u>
Total Liabilities and Net Assets	<u>\$ 24,581,941</u>

**St. Louis Area Food Bank, Inc.**  
**Statement of Activities**  
**Nine Months Ended June 30, 2019**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	Percent of <u>Revenues</u>
Support and Revenue				
Program fees	\$ 284,511	\$ -	\$ 284,511	0.44 %
Contributions	3,935,968	515,686	4,451,654	6.93 %
Government grants	3,496,885	-	3,496,885	5.44 %
Investment income, net	225,196	-	225,196	0.35 %
Other income	49,665	-	49,665	0.08 %
Consumable product donations/receipts	<u>55,750,946</u>	<u>-</u>	<u>55,750,946</u>	<u>86.76 %</u>
	63,743,171	515,686	64,258,857	100.00 %
Net assets released from restrictions				
Satisfaction of time and usage restrictions	<u>413,719</u>	<u>(413,719)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>64,156,890</u>	<u>101,967</u>	<u>64,258,857</u>	<u>100.00 %</u>
Expenses				
Program services - food distribution	<u>59,576,803</u>	<u>-</u>	<u>59,576,803</u>	<u>92.71 %</u>
Supporting activities				
Management and general	877,808	-	877,808	1.37 %
Fundraising	<u>1,096,850</u>	<u>-</u>	<u>1,096,850</u>	<u>1.71 %</u>
Total Supporting Activities	<u>1,974,658</u>	<u>-</u>	<u>1,974,658</u>	<u>3.08 %</u>
Total Expenses	<u>61,551,461</u>	<u>-</u>	<u>61,551,461</u>	<u>95.79 %</u>
Change in Net Assets	2,605,429	101,967	2,707,396	
Net Assets, Beginning of Year	<u>20,876,000</u>	<u>380,218</u>	<u>21,256,218</u>	
Net Assets, End of Year	<u>\$23,481,429</u>	<u>\$ 482,185</u>	<u>\$23,963,614</u>	

**St. Louis Area Food Bank, Inc.**  
**Statement of Functional Expenses**  
**Nine Months Ended June 30, 2019**

	<u>Supporting Activities</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and related items	\$ 2,124,538	\$ 686,145	\$ 474,399	\$ 3,285,082
Professional fees	45,100	55,092	5,955	106,147
Supplies	131,456	5,905	2,648	140,009
Telephone	38,869	7,379	4,405	50,653
Postage and shipping	11,925	2,394	1,903	16,222
Occupancy	362,373	14,628	8,612	385,613
Rental and maintenance	153,871	13,578	12,449	179,898
Printing and publications	12,635	36,134	535,387	584,156
Meetings and travel	41,058	14,305	6,952	62,315
Food and product distribution	55,628,617	-	-	55,628,617
Fleet management	360,075	47	36	360,158
Grants to agencies	89,075	-	-	89,075
Miscellaneous	4,564	2,599	21,463	28,626
Insurance	74,889	16,180	6,516	97,585
Dues	118,504	4,496	2,885	125,885
Total Expenses Before Depreciation	59,197,549	858,882	1,083,610	61,140,041
Depreciation	379,254	18,926	13,240	411,420
Total Expenses	<u>\$ 59,576,803</u>	<u>\$ 877,808</u>	<u>\$ 1,096,850</u>	<u>\$ 61,551,461</u>

**St. Louis Area Food Bank, Inc.**  
**Statement of Cash Flows**  
**Nine Months Ended June 30, 2019**

Cash Flows From Operating Activities	
Change in net assets	\$ 2,707,396
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	411,420
Realized and unrealized gains on investments	(111,537)
Donated securities	91,434
(Increase) decrease in assets	
Accounts receivable, net	877
Grants receivable	(201,131)
Unconditional promises to give, net	(267,867)
Inventory	(1,203,146)
Prepaid expenses and other current assets	(102)
Increase (decrease) in liabilities	
Accounts payable	(12,936)
Accrued expenses	(7,831)
Deferred revenue	57,738
Net Cash Provided by Operating Activities	<u>1,464,315</u>
 Cash Flows From Investing Activities	 
Proceeds from sales of investments	1,101,756
Purchases of investments	(1,306,888)
Purchases of property and equipment	(153,727)
Net Cash Used in Investing Activities	<u>(358,859)</u>
 Net Increase in Cash	 1,105,456
 Cash, Beginning of Year	 <u>723,325</u>
 Cash, End of Year	 <u><u>\$ 1,828,781</u></u>

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

**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. The Organization changed its' year end to June 30 from September 30 during this fiscal year.

**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 two categories of net assets, as applicable, and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent net assets without donor restrictions 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 be otherwise funded by operations or specific donations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be satisfied by specific activities or the passage of time, or are required to be maintained permanently by the Organization. The income earned on any related investments may be subject to donor-imposed stipulations.

**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.

**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.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

**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 \$1,222 as of June 30, 2019.

**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.

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.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

**Inventory**

The Organization's inventory consists of donated food items, USDA product, and purchased product. The donated products received and distributed by the Organization have been valued and recorded in the accompanying financial statements in accordance with the 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 \$1.62 and \$1.52 were used in determining general donated and federal government donated product, respectively, as of and for the nine months ended June 30, 2019.

**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**  
**Nine Months Ended June 30, 2019**

**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 nine months ended June 30, 2019.

**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.

**Deferred Revenue**

Deferred revenue consists of payments received for grants received but not yet earned. These payments will be recognized as income in the period in which they are earned.

**Support and Revenue**

Contributions are recorded as received, and unconditional promises to give are recorded as the promise is made. All contributions are available for general activities unless specifically restricted by the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions with donor restrictions in which the restrictions are met within the same year as received are reported as contributions without donor restrictions 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**  
**Nine Months Ended June 30, 2019**

**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 \$55,750,946 at the date of donation, have been included in the financial statements for the nine months ended June 30, 2019.

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 nine months ended June 30, 2019, these volunteers donated approximately 35,900 hours, with an estimated value of \$886,371. This value was computed using an estimated hourly rate of \$24.69 in 2019, 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 costs of program services and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

**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 October 22, 2019, the date the financial statements were available to be issued.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

**Recent Accounting Pronouncements**

**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 does not expect the new guidance to have a significant impact on its financial statements.

**3. Change in Accounting Principle**

On August 18, 2016 FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements. The ASU has been applied retrospectively to all periods presented, except for disclosures related to liquidity and availability of funds.

**4. 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.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

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, accounts receivable, grants receivable, promises to give, accounts payable, and accrued expenses 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 June 30, 2019.

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.

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 June 30, 2019:

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
Investments:				
Money market funds	\$ 118,380	\$ 118,380	\$ -	\$ -
Mutual Funds:				
Small cap	360,941	360,941	-	-
Mid cap	106,520	106,520	-	-
Large cap	892,200	892,200	-	-
Fixed income	2,418,607	2,418,607	-	-
Real estate	109,908	109,908	-	-
International	631,144	631,144	-	-
	<u>4,519,320</u>	<u>4,519,320</u>	<u>-</u>	<u>-</u>
Exchange Traded Funds:				
Mid cap value	502,661	502,661	-	-
Large cap	1,373,142	1,373,142	-	-
International	625,209	625,209	-	-
Preferred stock	84,570	84,570	-	-
	<u>2,585,582</u>	<u>2,585,582</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 7,223,282</u>	<u>\$ 7,223,282</u>	<u>\$ -</u>	<u>\$ -</u>

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

**5. Investments**

A summary of the cost and fair value of the Organization's investments as of June 30, 2019 is as follows:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>
Money market funds	\$ 118,380	\$ -	\$ 118,380
Mutual funds	4,322,423	196,897	4,519,320
Exchange traded funds	<u>1,920,929</u>	<u>664,653</u>	<u>2,585,582</u>
	<u>\$ 6,361,732</u>	<u>\$ 861,550</u>	<u>\$ 7,223,282</u>

Investment income for the nine months ended June 30, 2019 is summarized as follows:

Interest and dividend income	\$ 148,956
Net realized and unrealized gains on investments reported at fair value	<u>102,844</u>
	251,800
Less: Investment expenses	<u>26,604</u>
Total Investment Income	<u>\$ 225,196</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.

**6. Unconditional Promises to Give**

Unconditional promises to give at June 30, 2019 are as follows:

Less than one year	\$ 242,184
One to five years	<u>230,000</u>
	472,184
Less:	
Unamortized discount	<u>16,200</u>
Net unconditional promises to give	<u>\$ 455,984</u>

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

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 5.50 at June 30, 2019. The amounts are classified on the statement of financial position as follows:

Unconditional promises to give - current	\$ 258,384
Unconditional promises to give - long-term	<u>197,600</u>
	<u><u>\$ 455,984</u></u>

**7. Inventory**

The Organization distributes products to approximately 575 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 nine months ended June 30, 2019 are as follows:

Donated products	20,432,921
Purchased products	612,606
Missouri USDA (TEFAP)	5,681,229
Missouri USDA (CSFP)	1,890,625
Illinois USDA (TEFAP)	3,709,328
Illinois USDA (CSFP)	<u>1,103,293</u>
	<u><u>33,430,002</u></u>

Inventory as of June 30, 2019 is as follows:

	<u>Pounds</u>	<u>Amount</u>
Donated products	787,523	\$ 1,323,038
Purchased products	199,908	76,504
Missouri USDA (TEFAP)	907,801	1,425,250
Missouri USDA (CSFP)	477,368	749,467
Illinois USDA (TEFAP)	345,926	543,107
Illinois USDA (CSFP)	<u>440,947</u>	<u>692,287</u>
	<u><u>3,159,473</u></u>	<u><u>\$ 4,809,653</u></u>

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

**8. Property and Equipment**

Property and equipment at June 30, 2019 is as follows:

Land	\$ 1,322,800
Building and improvements	10,011,006
Machinery and equipment	803,643
Vehicles	1,839,860
Office equipment	774,184
Construction in progress	<u>5,066</u>
	14,756,559
Less accumulated depreciation	<u>5,182,815</u>
	<u>\$ 9,573,744</u>

Depreciation expense was \$411,420 for the nine months ended June 30, 2019.

**9. Line of Credit**

The Organization has a line of credit agreement (the "Agreement") of \$1,500,000 scheduled to expire on April 21, 2020. Borrowings are charged interest at LIBOR (2.43 percent at June 30, 2019) plus 1.50 percent, and are secured by the Organization's operating facility. At June 30, 2019, there were no borrowings outstanding under the line of credit.

**10. Liquidity and Availability of Financial Assets**

The following reflects Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board approves that action.

Cash	\$ 1,828,781
Accounts receivable	63,299
Grants receivable	509,701
Unconditional promises to give, net	242,184
Operating investments	7,223,282
Contractual or donor-imposed restrictions:	
Donor Restrictions	(482,185)
Board designations	<u>(7,212,418)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 2,172,644</u>

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

The Organization has certain board designated assets and donor-restricted limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these have been included in the qualitative information above. Additionally, certain other board designated assets are designated for an operating reserve. However, the board-designated amounts could be made available, if necessary.

The Organization's primary sources of support are contributions, grants, and income from investing its endowment. Some support is required to be used in accordance with the purpose restrictions imposed by the donors. As part of a liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserves. To further manage liquidity the Organization maintains a line-of-credit with a bank that is drawn upon as needed during the year to manage cash flow.

**11. Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2019 are as follows:

United Way	\$ 212,185
Foundation grants and corporate contributions	210,000
Capital Campaign	<u>60,000</u>
	<u>\$ 482,185</u>

Net assets totaling \$413,719 were released from donor restrictions during the nine months ended June 30, 2019, respectively, as a result of collection of unconditional promises to give and use of funds for their restricted purposes.

**12. 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. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- ◆ The duration and preservation of the fund
- ◆ The purposes of the Organization and the donor-restricted endowment fund
- ◆ General economic conditions
- ◆ The possible effect of inflation and deflation
- ◆ The expected total return from income and the appreciation of investments
- ◆ Other resources of the Organization
- ◆ The investment policies of the Organization

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

Endowment funds at June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Board designated endowment	<u>\$ 1,102,229</u>	<u>\$ 10,000</u>	<u>\$ 1,112,229</u>

Changes in endowment net assets for the years ended June 30, 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Endowment net assets, beginning of year	\$ 1,054,385	\$ 10,000	\$ 1,064,385
Investment income, net of fees	24,902	-	24,902
Net appreciation	<u>22,942</u>	<u>-</u>	<u>22,942</u>
Endowment net assets, end of year	<u>\$ 1,102,229</u>	<u>\$ 10,000</u>	<u>\$ 1,112,229</u>

**13. 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.

**14. 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 \$166,615 for the nine months ended June 30, 2019.

**St. Louis Area Food Bank, Inc.**  
**Notes to Financial Statements**  
**Nine Months Ended June 30, 2019**

**15. 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.

**16. Risks and Uncertainties**

**Concentration of Credit Risk**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, 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 June 30, 2019, there were cash balances of \$1,548,145 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 June 30, 2019. 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 June 30, 2019, there were investment balances of \$6,723,282 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.