

FOODSHARE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2020

FOODSHARE, INC.

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Independent Auditors' Report

To the Board of Directors
Foodshare, Inc.
Bloomfield, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of Foodshare, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 Foodshare, Inc., as of June 30, 2020, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2020 on our consideration of Foodshare, Inc.'s internal control over financial reporting and 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 Foodshare, 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 Foodshare, Inc.'s internal control over financial reporting and compliance.

Blum, Shapins & Company, P.C.

West Hartford, Connecticut
October 22, 2020

FOODSHARE, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2020

ASSETS

Cash and cash equivalents	\$ 6,922,445
Investments	3,342,892
Handling and buying club fees receivable, net of allowance of \$1,059	15,348
Contributions receivable, net	630,220
Government grants receivable	470,890
Donated food inventory	2,433,711
Purchased food inventory	236,885
Prepaid expenses and other assets	122,470
Land, building and equipment, net	<u>4,140,623</u>
Total Assets	\$ <u>18,315,484</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 942,353
Obligation under capital leases	267,739
Loan payable	36,412
Deferred revenue and other liabilities	<u>98,253</u>
Total liabilities	<u>1,344,757</u>

Net Assets

Net assets without donor restrictions:	
Designated	9,262,488
Undesignated	<u>6,676,887</u>
Total net assets without donor restrictions	15,939,375
 Net assets with donor restrictions	 <u>1,031,352</u>
Total net assets	<u>16,970,727</u>

Total Liabilities and Net Assets	\$ <u>18,315,484</u>
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The accompanying notes are an integral part of the financial statements

FOODSHARE, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Changes in Net Assets Without Donor Restrictions - Donated Food

Donated food	\$ 23,696,943
Donated food distributed	(28,272,088)
	<u>(4,575,145)</u>
Net assets released from restrictions - donated food	<u>5,373,327</u>
Changes in net assets without donor restrictions - donated food	<u>798,182</u>

Changes in Net Assets Without Donor Restrictions - Operations

Revenues and gains - operations	
Contributions	10,227,423
Handling fees and buying club revenues	499,264
Special fundraising event	5,000
Net realized and unrealized gain on investments	9,350
Donated assets and services	46,281
Dividend and interest income	81,665
Miscellaneous revenue	26,201
	<u>10,895,184</u>
Net assets released from restrictions - operations	<u>2,610,564</u>
Total revenues and gains without donor restrictions - operations	<u>13,505,748</u>
Expenses - operations:	
Program services:	
Food collection and distribution	4,533,418
Building solutions	1,093,823
Supporting services:	
Fundraising	1,304,433
Management and general	898,959
Total expenses - operations	<u>7,830,633</u>
Changes in net assets without donor restrictions - operations	<u>5,675,115</u>
Increase in net assets without donor restrictions	<u>6,473,297</u>

The accompanying notes are an integral part of the financial statements

FOODSHARE, INC.

STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

Changes in Net Assets With Donor Restrictions - Donated Food

Donated food	\$ 5,064,461
Net assets released from restrictions - donated food	(5,373,327)
Changes in net assets with donor restrictions - donated food	<u>(308,866)</u>

Changes in Net Assets With Donor Restrictions - Operations

Contributions	1,658,762
Governmental grants	875,639
Net assets released from restrictions - operations	(2,610,564)
Changes in net assets with donor restrictions - operations	<u>(76,163)</u>
Decrease in net assets with donor restrictions	<u>(385,029)</u>

Increase in Net Assets 6,088,268

Net Assets - Beginning of Year 10,882,459

Net Assets - End of Year \$ 16,970,727

The accompanying notes are an integral part of the financial statements

FOODSHARE, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services			
	Food Collection and Distribution	Building Solutions	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Donated food distributed	\$ 28,272,088	\$ -	\$ 28,272,088	\$ -	\$ -	\$ -	\$ 28,272,088
Salaries	1,499,901	643,344	2,143,245	692,989	557,240	1,250,229	3,393,474
Payroll taxes and related benefits	362,840	180,453	543,293	195,377	156,775	352,152	895,445
Occupancy and technology costs	475,370	71,086	546,456	145,270	75,601	220,871	767,327
Other food collection expenses	429,560	-	429,560	-	-	-	429,560
Purchased food	934,316	-	934,316	-	-	-	934,316
Depreciation and amortization	276,909	21,039	297,948	26,783	21,044	47,827	345,775
Professional fees	19,016	17,175	36,191	11,865	31,212	43,077	79,268
Trucks	165,726	-	165,726	-	-	-	165,726
Other	46,756	8,757	55,513	22,955	23,635	46,590	102,103
Development and miscellaneous fundraising event expenses	-	-	-	60,411	-	60,411	60,411
Printing and postage	3,616	23,903	27,519	63,809	4,488	68,297	95,816
Contributions to other organizations	-	89,519	89,519	-	-	-	89,519
Donated goods and services	34,839	-	34,839	8,048	3,395	11,443	46,282
Supplies	73,055	13,500	86,555	3,721	1,725	5,446	92,001
Other personnel expenses	166,202	16,604	182,806	483	623	1,106	183,912
Credit card, bank and investment management fees	-	-	-	69,811	10,794	80,605	80,605
Interest expense	28,675	-	28,675	-	1,261	1,261	29,936
Travel	9,234	7,583	16,817	2,592	6,401	8,993	25,810
Feeding America fees	5,528	-	5,528	-	-	-	5,528
Conferences and training	1,875	860	2,735	319	4,765	5,084	7,819
	<u>\$ 32,805,506</u>	<u>\$ 1,093,823</u>	<u>\$ 33,899,329</u>	<u>\$ 1,304,433</u>	<u>\$ 898,959</u>	<u>\$ 2,203,392</u>	<u>\$ 36,102,721</u>

The accompanying notes are an integral part of the financial statements

FOODSHARE, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities

Increase in net assets	\$ 6,088,268
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Realized and unrealized gain on investments	(9,350)
Depreciation and amortization	345,775
Donated food received and distributed, net	(489,316)
(Increase) decrease in operating assets:	
Handling and buying club fees receivable, net	20,720
Contributions receivable, net	(197,012)
Government grants receivable	(141,991)
Purchased food inventory	(221,844)
Prepaid expenses and other assets	(17,073)
Increase in operating liabilities:	
Accounts payable and accrued expenses	581,060
Deferred revenue and other liabilities	46,483
Net cash provided by operating activities	<u>6,005,720</u>

Cash Flows from Investing Activities

Net purchases of investments	(63,412)
Purchases of land, building and equipment	<u>(75,583)</u>
Net cash used in investing activities	<u>(138,995)</u>

Cash Flows from Financing Activities

Payments on obligation under capital leases	(75,157)
Payments on loan payable	<u>(18,997)</u>
Net cash used in financing activities	<u>(94,154)</u>

Net Increase in Cash and Cash Equivalents 5,772,571

Cash and Cash Equivalents - Beginning of Year 1,149,874

Cash and Cash Equivalents - End of Year \$ 6,922,445

Cash Paid During the Year for Interest \$ 29,936

The accompanying notes are an integral part of the financial statements

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Foodshare, Inc., was incorporated in 1983 as a nonstock, nonprofit corporation. Its mission is to lead an informed coordinated response to hunger as a part of the overall community effort to alleviate poverty in Greater Hartford. Foodshare, Inc., accomplishes its mission by increasing individual and community awareness and action concerning hunger and poverty, their causes and potential solutions; developing an organized, integrated, accessible, cooperative, efficient and effective system to acquire and distribute food, especially food that would otherwise be wasted; and facilitating community collaborations. Foodshare, Inc., serves nearly 300 community kitchens, shelters, food pantries, senior centers, halfway houses and other social service programs in Hartford and Tolland counties.

Basis of Accounting and Presentation

The financial statements of Foodshare, Inc., have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accounts of Foodshare, Inc., are reported in the following net asset categories:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent available resources other than donor-restricted contributions. These assets represent resources that may be expended at the discretion of the Board of Directors. Foodshare, Inc., reports its changes in net assets without donor restrictions in two categories: donated food and operations.

The Board has identified the following designations of net assets without donor restrictions as of June 30, 2020:

Investment in land, building and equipment	\$ 3,836,474
Long-term investments	3,342,893
Food distribution	<u>2,083,121</u>
Total Designated Net Assets Without Donor Restrictions	<u>\$ 9,262,488</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions represent resources that have donor-imposed restrictions as to purpose or time of expenditure.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Foodshare, Inc., considers all highly liquid investments with maturities of 90 days or less and cash in banks to be cash equivalents, exclusive of certain cash and short-term investments held in brokerage accounts, which are considered to be investments. Foodshare, Inc., maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. Foodshare, Inc., has not experienced any losses in such accounts. Foodshare, Inc., believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gain on investments includes Foodshare, Inc.'s gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income are classified as increases and decreases in net assets without donor restrictions.

Foodshare, Inc., has an investment policy with the intended objective of achieving balance between growth and income and to achieve market rates of return. Funds not designated for capital expenditure and not expected to be needed for a minimum of seven years may be invested on a long-term basis. Foodshare, Inc., annually determines the amount to be invested long term. The investment portfolio consists of investments in cash, individual bonds, equity mutual and exchange traded funds and bond mutual and exchange traded funds.

Short-term investments included in cash equivalents and held by the investment custodian totaled \$16,296 at June 30, 2020.

Inventory

Donated and purchased food inventory consists of perishable and nonperishable foods. The pricing of the donated inventory, donated food revenue and donated food distributed is determined based on a study commissioned by Feeding America, a national food bank network, of the average wholesale value of products donated to the network. Inventory acquired is stated at the values or methods shown below:

Inventory Type	Valuation
Donated food inventory	\$1.49/pound
Donated food and nonfood inventory	\$1.74/pound
Purchased inventory	Net realizable value

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

Land, Building and Equipment

Land is stated at cost. Building and improvements, leasehold improvements, and other fixed asset acquisitions and improvements thereon that exceed \$10,000 are capitalized at cost and are depreciated on the straight-line method over their estimated useful lives as follows:

Building and improvements	3-30 years
Leasehold improvements	3 years
Equipment and computer software	2-10 years
Vehicles	7-10 years

Capital Leases

Foodshare, Inc., leases trucks and copiers under capital lease agreements. The respective asset and liability under the capital lease are recorded at the value of the asset at the inception of the lease. The assets are amortized over their estimated useful lives.

Revenue Recognition

Foodshare, Inc., recognizes revenue at an amount that reflects the consideration to which Foodshare, Inc., expects to be entitled in exchange for transferring goods or services to its customers using the following process:

1. Identify the contract(s) with the customer
2. Identify the performance obligation(s) in the contract
3. Determine the transaction price
4. Allocate the transaction price to performance obligations in the contract
5. Recognize revenue when (or as) the organization satisfies a performance obligation

See Note 2 for details on how the above five-step process is applied to Foodshare, Inc.'s contracts with customers.

Contributions, Including Government Grants and Contracts

In accordance with ASU 2018-08, certain governmental grants and contracts received by a not-for-profit are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and Foodshare, Inc. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of release from obligation) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

Foodshare, Inc., reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as deferred revenue on the accompanying statement of financial position.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

Conditional government grants and contracts not recognized as revenue as of June 30, 2020 total \$951,531. Government grants and contracts are conditioned on incurring qualified program expenses.

Foodshare, Inc., reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Foodshare, Inc., reports expirations of donor restrictions when the assets are placed in service.

Included in unrestricted revenues and gains - food bank operations is \$159,014 in 2020 of contributions received through The United Way of Central and Northeastern Connecticut and other United Way affiliates located throughout the country.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been reported on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on a reasonable basis.

The expenses that have been allocated and method of allocation is as follows:

Expense Category	Method of Allocation
Salaries, payroll taxes and related benefits	Time and effort
Occupancy	Square footage
Technology costs	Full time equivalent
Depreciation and amortization	Square footage
Professional fees	Usage

Income Tax Status

Foodshare, Inc., is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through October 22, 2020, which represents the date the financial statements were available to be issued.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - REVENUES FROM CONTRACTS WITH CUSTOMERS

At contract inception, Foodshare, Inc., assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer goods or a service (or bundle of goods or services) that is distinct. To identify the performance obligations, Foodshare, Inc., considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or implied by customary business practices. Foodshare, Inc., has determined that the following services contain distinct performance obligations:

Handling Fees

Handling fees are charged based on certain categories of food distributed to partner agencies in Hartford and Tolland counties that are not for profit and tax exempt. These fees help defray a portion of the costs associated with transporting, receiving, storing and distributing dry, refrigerated and frozen products. Handling fees are assessed at varying amounts per pound based on product type, are invoiced at the time of product distribution and are due within 30 days.

Buying Club

Buying club allows Foodshare, Inc., to purchase in bulk products that are not normally donated. The participating agencies may purchase these products from Foodshare, Inc., to supplement products that are donated. Buying club sales are assessed at 110% of the cost of the product purchased by Foodshare, Inc., are invoiced at time of product distribution and are due within 30 days.

Buying club purchased inventory on hand was \$1,293 (1,500 pounds) at June 30, 2020.

The opening and closing balances of Foodshare, Inc.'s handling and buying club fees receivable and deferred revenue are as follows:

	Handling and Buying Club Fees Contract Balances	
	Receivables	Deferred Revenue
Opening (July 1, 2019)	\$ 36,068	\$ 29,406
Closing (June 30, 2020)	<u>15,348</u>	<u>9,617</u>
Decrease	<u>\$ (20,720)</u>	<u>\$ (19,789)</u>

Foodshare, Inc., accepts prepayments of handling fees related to the partnership program that are deferred until the distribution of product occurs and obligation is complete. Accordingly, prepayments received for future services are deferred and recorded as deferred revenue within deferred revenue and other liabilities on the accompanying statement of financial position. All deferred revenue as of June 30 of each year is recognized as revenue in the following fiscal year.

Foodshare, Inc., provides credit to partner agencies within the partnership program under standard terms without collateral. Management maintains an allowance for doubtful accounts based on review of specific accounts and general historical experience.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles establish a framework for 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Foodshare, Inc., 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's 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.

The following is a description of the valuation methodologies used for assets measured at fair value:

Domestic Equity

Domestic equity, which consists of exchange traded and mutual funds, is valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to outperform equity market indices on a risk-adjusted basis.

International Equity

International equity, which consists of exchange traded and mutual funds, is valued at the closing price reported in the active market in which the individual securities are traded. This investment class seeks to outperform the non-U.S. equity market indices on a risk-adjusted basis.

Fixed Income

Fixed income consists of government and corporate bonds. Government bonds are valued at the closing price reported in the active market in which the individual securities are traded. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

There have been no changes in the methodologies used at June 30, 2020.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Foodshare, Inc., 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 following is a summary of the source of fair value measurements for assets that are measured at fair value as of June 30, 2020:

Description	June 30, 2020	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Domestic equity	\$ 1,548,745	\$ 1,548,745	\$ -	\$ -
International equity	384,803	384,803		
Fixed income:				
Government bonds	74,584	74,584	-	-
Corporate bonds	1,105,063	947,227	157,836	-
Total investments at fair value	3,113,195	2,955,359	157,836	
Cash held by portfolio managers	229,697	229,697	-	-
Total Investments	\$ 3,342,892	\$ 3,185,056	\$ 157,836	\$ -

There were no transfers between levels of investments during the year ended June 30, 2020.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable as of June 30, 2020 are expected to be collected as follows:

Receivable in less than one year	\$ 577,468
Receivable in one to five years	65,321
Total receivable	642,789
Less discount on contributions receivable:	12,569
Net Contributions Receivable	\$ 630,220

Contributions receivable that are expected to be received in more than one year are discounted at 3.5% for the year ended June 30, 2020.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - DONATED FOOD INVENTORY

The following presents a summary of food donated and distributed for the year ended June 30, 2020:

	Weight (in Pounds)	Estimated Wholesale Value
Donated food inventory - beginning of year	1,234,644	\$ 1,944,395
Donated food received	17,129,719	28,761,404
Less donated food distributed	<u>(16,911,029)</u>	<u>(28,272,088)</u>
Donated Food Inventory - End of Year	<u>1,453,334</u>	<u>\$ 2,433,711</u>

NOTE 6 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consisted of the following at June 30, 2020:

Land	\$ 428,636
Building and improvements	5,510,820
Equipment and computer software	806,182
Vehicles	755,449
Construction in progress	<u>33,809</u>
	7,534,896
Less accumulated depreciation	<u>3,394,273</u>
Land, Building and Equipment, Net	<u>\$ 4,140,623</u>

Depreciation and amortization expense for the year ended June 30, 2020 was \$345,775.

Construction in progress as of June 30, 2020 relates warehouse improvements. It is expected that the improvements will be completed and placed in service during the fiscal year ending June 30, 2021.

NOTE 7 - LINE OF CREDIT

Foodshare, Inc., has a revolving line of credit with Pershing LLC that provides up to \$1,400,000 in borrowings. Interest charged may not exceed a rate equal to three percentage points above the prime rate as published by *The Wall Street Journal*. The loan is secured by certain investments held by Foodshare, Inc. As of June 30, 2020, there was no outstanding balance on this line of credit.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Foodshare, Inc., maintains reserves in order to provide adequate working capital to respond to anticipated and unanticipated fluctuations in cash flows, short-term emergencies and unbudgeted strategic opportunities. The Board of Directors monitors reserves throughout the year and, with guidance from management, could take action if reserves fall below Foodshare, Inc.'s target of six months of annual operating expenses. As of June 30, 2020, reserves were primarily invested in cash and cash equivalents, lower-risk fixed income bonds, and exchange traded and mutual funds. Foodshare, Inc., had total financial assets available for use within one year of approximately \$7,530,000 consisting of cash and cash equivalents, handling fee and buying club fees receivable, and contributions receivable. Additionally, Foodshare Inc.'s reserves include approximately \$3,345,000 in investments which are designated by the Board of Directors and can be spent at their discretion to invest in mission-enhancing opportunities or in the event of an unanticipated financial hardship. Foodshare, Inc., also has a revolving line of credit in the available amount of \$1,400,000.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes or future periods at June 30, 2020:

Purpose restrictions:	
Donated food	\$ 587,476
Food collection and distribution	150,832
Building solutions	257,194
Management and general	15,850
Future periods	<u>20,000</u>
Total Net Assets With Donor Restrictions	\$ <u>1,031,352</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by satisfying the following time and purpose restrictions during the year ended June 30, 2020:

Purpose restrictions:	
Donated food	\$ 5,373,327
Governmental grants	875,639
Food collection and distribution	764,743
Building solutions	257,532
Paycheck Protection Program Loan	698,500
Future periods	5,000
Management and general	<u>9,150</u>
Total Net Assets Released from Restrictions	\$ <u>7,983,891</u>

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - PARTNERSHIP PROGRAM

Foodshare, Inc., maintains the Partnership Program to provide financial assistance to partner agencies and Hunger Action Teams in which partner agencies participate. The program allows partner agencies to obtain credits to their handling fee accounts. Foodshare, Inc., also provides financial assistance to eligible organizations to purchase the capital equipment needed to distribute food to hungry people, promote self-sufficiency, promote full utilization of existing federal food assistance programs and more broadly engage the community in efforts to solve hunger. Amounts distributed through the Partnership Program were \$89,269 during the year ended June 30, 2020 and are included in the contributions to other organizations expense on the statement of functional expenses.

NOTE 12 - CASH FLOWS

Noncash Operating Activities

During the year ended June 30, 2020, Foodshare, Inc., received \$28,761,404 of donated food and \$46,281 of donated goods, fixed assets and services.

Noncash Investing and Financing Activities

Foodshare, Inc., had land, building and equipment dispositions of \$233,286 during the year ended June 30, 2020.

NOTE 13 - CONTRIBUTED VOLUNTEER SERVICES

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting Foodshare, Inc.'s mission. During the year ended June 30, 2020, volunteer hours totaled approximately 39,779 with an estimated value of \$1,276,000. These amounts have not been recognized in the financial statements.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Capital Leases

Foodshare, Inc., entered into two capital financing lease agreements for trucks during 2016, expiring in 2023. The trucks' net book value was \$206,874 as of June 30, 2020.

Foodshare, Inc., entered into a capital financing lease arrangement for copiers during 2019, expiring in 2024. The copiers' net book value was \$21,509 as of June 30, 2020.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

Expected future minimum annual lease payments for the above lease are as follows:

Year Ending June 30

2021	\$	103,070
2022		103,070
2023		95,023
2024		4,878
Total minimum lease payments		306,041
Less amount representing interest		38,302
		<hr/>
Capital Lease Obligation	\$	<u>267,739</u>

Interest paid on capital leases totaled \$29,936 for the year ended June 30, 2020.

Loan Payable

Foodshare, Inc., entered into an agreement with Eversource for the purchase of energy efficiency lighting and cooler improvements during 2018. The loan with an original balance of \$72,823 is noninterest bearing with monthly payments of \$1,583 through May 2022. The outstanding balance was \$36,412 as of June 30, 2020.

Operating Lease

Foodshare, Inc., has an operating lease agreement for space at the Connecticut Regional Market in Hartford, Connecticut. The lease is month to month, and rental expense for the lease totaled \$18,563 for the year ended June 30, 2020, which is one-half the market rate. Foodshare, Inc., recognizes the other half of the market rate as a donated service in the amount equal to the rent paid under the lease agreement.

NOTE 15 - EMPLOYEE BENEFIT PLAN

In 2009, Foodshare, Inc., established a 403(b) combination annuity contract plan and custodial account plan. Employee contributions under the plan are determined by the participating employees, subject to certain Internal Revenue Service limitations, and Foodshare, Inc., matches employee contributions at a rate of 1% of compensation, up to a maximum of 5%, based on years of service. Foodshare, Inc., contributions totaled \$63,965 for the year ended June 30, 2020.

NOTE 16 - ENDOWMENT FUND

HFPG was the direct recipient of donations made to establish and maintain the Gloria J. McAdam Fund for Foodshare (the Fund), of which Foodshare, Inc., is the income beneficiary, subject to HFPG's spending policy. Pursuant to the terms of the agreement, HFPG owns and manages the assets and is required to make distributions from the Fund to Foodshare, Inc., on an annual basis. Foodshare, Inc., received \$1,721 in distributions from the Fund for the year ended June 30, 2020. The Fund's value was \$35,359 as of June 30, 2020. Due to the nature of the Fund, Foodshare, Inc., does not recognize the assets of the Fund in its financial statements.

FOODSHARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 17 - CORONAVIRUS

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency and on March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency in the State of Connecticut. Lack of food supply, increased demand for food and other services, and a decrease in volunteers resulted in significant changes to Foodshare's business model beginning in March 2020. Foodshare began purchasing significant quantities of food to meet the increased demand and has opened up a drive-through location at Rentschler Field in East Hartford where it has been serving between 1500 and 2000 additional households daily.

On April 21, 2020, Foodshare, Inc., received a Paycheck Protection Program (PPP) loan of \$698,500 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which Foodshare, Inc., considers to be a conditional contribution under the governmental grant model. The contribution has a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary ranges during a measurement period. Management considers reviews of the application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended June 30, 2020, Foodshare, Inc., recognized \$698,500 as contribution revenue based on the amount of qualifying expenditures. At the time of issuance of the financial statements, Foodshare, Inc., has not applied for forgiveness of the loan. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum and will be due in monthly installments of principal and interest beginning November 18, 2020.

The duration of the uncertainties around the coronavirus and the ultimate financial effects cannot be reasonably estimated at this time.