

AUDITED FINANCIAL STATEMENTS

VERMONT FOODBANK

Barre, Vermont

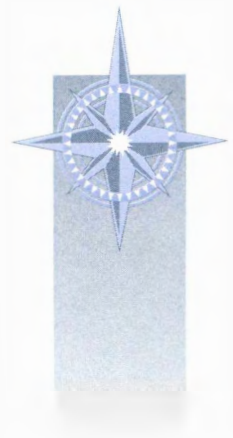
September 30, 2017

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

Vermont Foodbank

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Independent Auditors' Report

To the Officers and Directors
Vermont Foodbank
Barre, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Vermont Foodbank (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, 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 auditor's 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 Vermont Foodbank as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Vermont Foodbank's September 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards 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 January 22, 2018, on our consideration of Vermont Foodbank'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 the effectiveness of Vermont Foodbank's internal control over financial reporting or on compliance.

Other Reporting Required by *Government Auditing Standards* (Continued)

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vermont Foodbank's internal control over financial reporting and compliance.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
January 22, 2018

VERMONT FOODBANK
Statement of Financial Position
September 30, 2017
(with comparative totals for September 30, 2016)

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|-------------------------|-------------------------|
| <u>Assets</u> | | |
| Cash | \$ 109,121 | \$ 93,210 |
| Accounts receivable | 118,041 | 115,963 |
| Contributions receivable | 92,000 | 116,440 |
| Grants receivable | 77,177 | 76,457 |
| Inventory | 2,621,494 | 2,265,522 |
| Prepaid expenses | 162,462 | 121,206 |
| Investments | 3,626,002 | 3,568,261 |
| Property and equipment, net | <u>2,353,721</u> | <u>2,655,310</u> |
| Total assets | <u>\$ 9,160,018</u> | <u>\$ 9,012,369</u> |
| <u>Liabilities and Net Assets</u> | | |
| <u>Liabilities</u> | | |
| Accounts payable | \$ 229,280 | \$ 231,107 |
| Accrued expenses | 133,337 | 135,335 |
| Notes payable | 43,234 | 65,000 |
| Total liabilities | <u>405,851</u> | <u>431,442</u> |
| <u>Net assets</u> | | |
| Unrestricted - undesignated | 5,005,784 | 4,284,666 |
| Unrestricted - property and equipment | 2,353,721 | 2,655,310 |
| Unrestricted - board designated | 300,000 | 300,000 |
| Total unrestricted net assets | <u>7,659,505</u> | <u>7,239,976</u> |
| Temporarily restricted | 1,094,662 | 1,340,951 |
| Total net assets | <u>8,754,167</u> | <u>8,580,927</u> |
| Total liabilities and net assets | <u>\$ 9,160,018</u> | <u>\$ 9,012,369</u> |

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

VERMONT FOODBANK
Statement of Activities
Year Ended September 30, 2017
(with comparative totals for the year ended September 30, 2016)

| | Unrestricted | | | Temporarily Restricted | 2017 Total | 2016 Total |
|---|---------------------|---------------------|-----------------------|---------------------------|---------------------|---------------------|
| | Foodbank | Donated Food | Total Unrestricted | | | |
| Operating support and revenue | | | | | | |
| Food donations and surplus food received | | \$ 17,541,407 | \$ 17,541,407 | | \$ 17,541,407 | \$ 18,790,375 |
| Contributions | \$ 3,992,487 | | 3,992,487 | \$ 105,613 | 4,098,100 | 5,779,271 |
| In-kind contributions | 138,376 | | 138,376 | | 138,376 | 65,495 |
| Grant income | 1,400,528 | | 1,400,528 | 347,000 | 1,747,528 | 1,438,027 |
| Sales of purchased food | 1,190,870 | | 1,190,870 | | 1,190,870 | 1,099,256 |
| Membership and delivery fees | 199,415 | | 199,415 | | 199,415 | 208,819 |
| Other revenue | 169,584 | | 169,584 | 7,500 | 177,084 | 205,135 |
| Interest income - operations | 716 | | 716 | | 716 | 480 |
| Net assets released from restrictions | 706,402 | | 706,402 | (706,402) | | |
| Total operating support and revenue | <u>7,798,378</u> | <u>17,541,407</u> | <u>25,339,785</u> | <u>(246,289)</u> | <u>25,093,496</u> | <u>27,586,858</u> |
| Operating expenses | | | | | | |
| Program | 5,276,975 | 17,245,921 | 22,522,896 | | 22,522,896 | 23,349,127 |
| Administration | 657,902 | | 657,902 | | 657,902 | 633,322 |
| Fundraising | 1,446,111 | | 1,446,111 | | 1,446,111 | 1,287,981 |
| Total operating expenses | <u>7,380,988</u> | <u>17,245,921</u> | <u>24,626,909</u> | | <u>24,626,909</u> | <u>25,270,430</u> |
| Change in net assets, operations | <u>417,390</u> | <u>295,486</u> | <u>712,876</u> | <u>(246,289)</u> | <u>466,587</u> | <u>2,316,428</u> |
| Non-operating income (expense) | | | | | | |
| Capital grants and gifts | | | | | | 110,714 |
| Investment income - non-operating | 19,272 | | 19,272 | | 19,272 | 1,656 |
| Investment management fees | (2,048) | | (2,048) | | (2,048) | (9,907) |
| Net unrealized (loss) gain on investments | (32,341) | | (32,341) | | (32,341) | 133,010 |
| Net realized gain on sale of investments | 42,561 | | 42,561 | | 42,561 | |
| Net (loss) gain on disposal of equipment | (8,946) | | (8,946) | | (8,946) | 2,500 |
| Depreciation | (311,845) | | (311,845) | | (311,845) | (303,975) |
| Total non-operating income (expense) | <u>(293,347)</u> | | <u>(293,347)</u> | | <u>(293,347)</u> | <u>(66,002)</u> |
| Change in net assets | 124,043 | 295,486 | 419,529 | (246,289) | 173,240 | 2,250,426 |
| Net assets - beginning of year | <u>5,203,221</u> | <u>2,036,755</u> | <u>7,239,976</u> | <u>1,340,951</u> | <u>8,580,927</u> | <u>6,330,501</u> |
| Net assets - end of year | <u>\$ 5,327,264</u> | <u>\$ 2,332,241</u> | <u>\$ 7,659,505</u> | <u>\$ 1,094,662</u> | <u>\$ 8,754,167</u> | <u>\$ 8,580,927</u> |

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

VERMONT FOODBANK
Statement of Functional Expenses
Year Ended September 30, 2017
(with comparative totals for the year ended September 30, 2016)

| | <u>Program</u> | <u>Administration</u> | <u>Fundraising</u> | <u>2017 Total</u> | <u>2016 Total</u> |
|-------------------------------------|----------------------|-----------------------|---------------------|-----------------------|-----------------------|
| Value of donated food distributed | \$ 17,245,921 | | | \$ 17,245,921 | \$ 18,287,920 |
| Employee compensation | 2,175,882 | \$ 585,635 | \$ 584,007 | 3,345,524 | 3,146,571 |
| Cost of food purchased | 965,869 | | | 965,869 | 911,064 |
| Other program expenses | 729,011 | | | 729,011 | 730,106 |
| Fundraising expenses | | | 628,038 | 628,038 | 550,291 |
| Warehouse supplies | 331,239 | | | 331,239 | 302,152 |
| Vehicle lease and operating costs | 304,946 | | | 304,946 | 296,487 |
| Building and grounds maintenance | 154,306 | 3,356 | 2,754 | 160,416 | 173,259 |
| In-kind expenses | 29,044 | | 109,332 | 138,376 | 65,495 |
| Inbound freight | 124,143 | | | 124,143 | 168,588 |
| Office expenses | 72,744 | 10,313 | 28,445 | 111,502 | 114,752 |
| Professional services | 58,529 | 25,077 | 9,218 | 92,824 | 79,746 |
| Utilities | 80,059 | 3,048 | 2,501 | 85,608 | 88,865 |
| Contracted labor expense | 81,298 | | | 81,298 | 58,177 |
| Insurance | 50,832 | 8,236 | 9,391 | 68,459 | 56,715 |
| Agency relations | 55,155 | | | 55,155 | 59,527 |
| Training, conferences and education | 32,058 | 2,665 | 19,034 | 53,757 | 47,535 |
| Public relations | 7,193 | 1,619 | 41,452 | 50,264 | 78,538 |
| Other supporting services | 13,844 | 7,752 | 11,121 | 32,717 | 27,183 |
| Travel | 10,823 | 792 | 818 | 12,433 | 22,960 |
| Board expense | | 9,409 | | 9,409 | 4,499 |
| Total expenses before depreciation | <u>22,522,896</u> | <u>657,902</u> | <u>1,446,111</u> | <u>24,626,909</u> | <u>25,270,430</u> |
| Depreciation | <u>279,897</u> | <u>17,549</u> | <u>14,399</u> | <u>311,845</u> | <u>303,975</u> |
| Total expenses | <u>\$ 22,802,793</u> | <u>\$ 675,451</u> | <u>\$ 1,460,510</u> | <u>\$ 24,938,754</u> | <u>\$ 25,574,405</u> |

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

VERMONT FOODBANK

Statement of Cash Flows

Year Ended September 30, 2017

(with comparative totals for the year ended September 30, 2016)

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|--------------------|
| Cash flows from operating activities | | |
| Cash received from contributions | \$ 4,122,540 | \$ 5,834,973 |
| Cash received from grants | 1,746,808 | 1,379,570 |
| Cash received from food sales | 1,190,870 | 1,099,256 |
| Cash received from fees and other programs | 374,421 | 380,331 |
| Cash paid for compensation and related expenses | (3,347,522) | (3,229,346) |
| Cash paid to suppliers | (3,017,543) | (2,776,737) |
| Cash paid for food inventory | (965,869) | (911,064) |
| Interest received | 716 | 480 |
| Interest paid | (21) | (552) |
| Net cash provided by operating activities | <u>104,400</u> | <u>1,776,911</u> |
| Cash flows from investing activities | | |
| Proceeds from sales of investments | 5,833,696 | 4,945,856 |
| Purchases of investments | (5,881,217) | (6,475,465) |
| Proceeds from sales of property and equipment | 47 | 2,500 |
| Purchases of property and equipment | (19,249) | (343,083) |
| Net cash used by investing activities | <u>(66,723)</u> | <u>(1,870,192)</u> |
| Cash flows from financing activities | | |
| Borrowings on line of credit | 83,303 | 97,835 |
| Repayments on line of credit | (83,303) | (97,835) |
| Principal payments on notes payable | (21,766) | (20,000) |
| Net cash used by financing activities | <u>(21,766)</u> | <u>(20,000)</u> |
| Net increase (decrease) in cash | 15,911 | (113,281) |
| Cash - beginning of year | <u>93,210</u> | <u>206,491</u> |
| Cash - end of year | <u>\$ 109,121</u> | <u>\$ 93,210</u> |

Supplemental disclosures of non-cash operating and investing activities:

| | | |
|-------------------------------------|---------------|---------------|
| Donated food received | \$ 17,541,407 | \$ 18,790,375 |
| Donated food distributed | (17,245,921) | (18,287,920) |
| Donated in-kind support and expense | (138,376) | (65,495) |

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

VERMONT FOODBANK
Schedule of Reconciliation of Change in Net Assets
to Net Cash Provided by Operating Activities
Year Ended September 30, 2017
(with comparative totals for the year ended September 30, 2016)

| | <u>2017</u> | <u>2016</u> |
|---|--------------------------|----------------------------|
| Change in net assets | \$ <u>173,240</u> | \$ <u>2,250,426</u> |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 311,845 | 303,975 |
| Net unrealized loss (gain) on investments | 32,341 | (133,010) |
| Net gain on sale of investments | (42,561) | |
| Net loss (gain) on disposal of equipment | 8,946 | (2,500) |
| Change in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | (2,078) | (33,623) |
| Contributions receivable | 24,440 | (55,012) |
| Grants receivable | (720) | (58,457) |
| Inventory | (355,972) | (453,611) |
| Prepaid expenses | (41,256) | 33,063 |
| Increase (decrease) in: | | |
| Accounts payable | (1,827) | 8,435 |
| Accrued expenses | <u>(1,998)</u> | <u>(82,775)</u> |
| Total adjustments | <u>(68,840)</u> | <u>(473,515)</u> |
| Net cash provided by operating activities | \$ <u><u>104,400</u></u> | \$ <u><u>1,776,911</u></u> |

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

VERMONT FOODBANK
Notes to the Financial Statements
September 30, 2017

1. Summary of Significant Accounting Policies

Nature of Business: Vermont Foodbank (“the Foodbank”) is an independent, nonprofit Vermont corporation formed in 1989. The purpose of the Foodbank is to distribute food to food shelves and other nonprofit agencies throughout the state of Vermont and to educate the general public on the issues of hunger. The Foodbank is a certified affiliate of the Feeding America Food Bank Network.

Description of Programs: A description of the major programs included in these financial statements is as follows:

Food distribution: The Foodbank distributed approximately 11,731,066 pounds (gross weight) of donated and purchased food products in the year ended September 30, 2017, from a variety of sources including regional supermarket reclamation centers, local food processors, retailers, local farmers, and national manufactures through the Feeding America network. The Foodbank sorts the donated products and reclaims approximately 98% as suitable for redistribution. The donated product is supplemented with surplus food commodities from the U.S. Department of Agriculture (USDA), and some purchased food. Food from most sources is made available to the Foodbank’s more than 215 member agencies throughout Vermont (food shelves and meal sites) either through pickup at the Foodbank’s Barre, Brattleboro, or Rutland, VT, regional distribution centers, or delivery via Foodbank trucks.

Member agencies pay an annual membership fee. Annual membership fees for network partners are based on the number of pounds of donated product the agency receives during the previous year, member agencies pay a delivery fee of \$.08 per pound for all food delivered (except USDA commodities); there is no delivery fee for donated food that is picked up. There are no charges of any kind for USDA commodities distributed. The Foodbank also administers the “Commodity Supplemental Food Program” (CSFP), a USDA program that allows the Foodbank to deliver surplus commodities directly to eligible recipients each month at drop sites throughout the State.

Tax Status: The Foodbank is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 509(a)(1). In addition, the Foodbank qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi).

Basis of Presentation: The financial statements of the Foodbank have been prepared on the accrual basis of accounting. The net assets of the Foodbank are reported in each of the following three classes when applicable: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are unrestricted and are reported as part of the unrestricted class.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2017

1. Summary of Significant Accounting Policies (Continued)

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Support: Contributions that are restricted by the donor (either by time or purpose) are recorded as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purposed restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable: Accounts receivable consist of fees due from member agencies and various amounts due from other Foodbank programs. Management believes these receivables are collectible and have not established an allowance.

Contributions Receivable: Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Inventory: Inventory consists of donations, USDA commodities and purchased food awaiting distribution. Purchased food is valued at the lower cost or market. Donated food is valued at the estimated fair market value at the date it was received (as determined by Feeding America; \$1.67 per pound in 2017). All inventory values are determined using the first-in, first-out method.

Investments: Investments are stated at market value. Money market accounts and other cash equivalents that are included in the Foodbank's investment accounts are presented as investments in these financial statements. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities.

Fair Value Measurements: Accounting standards have established 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).

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2017

1. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued): Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted prices for identical assets or liabilities in active markets. Market price is generally obtained from exchange or dealer markets. |
| Level 2 | 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. |
| Level 3 | Unobservable and significant to the fair value measurement. |

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.

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

Property and Equipment: The cost, if purchased, and fair value, if donated, of property and equipment is capitalized. The Foodbank's policy is to capitalize purchases of property and equipment exceeding \$2,500. Depreciation is computed by the straight-line method over the estimated useful lives of the underlying assets; asset lives range between 3 and 40 years. As the Foodbank relies on securing capital gifts and grants to support net asset purchases, it has classified depreciation expense as a non-operating expense.

Contributed Food, Property and Equipment: Contributed food, property and equipment are recorded at estimated fair value at the date of donation. If donors stipulate how long the assets must be used or that they be used for a particular purpose, the contributions are treated as temporarily restricted.

Donated Services and Materials: No amounts have been reflected in the financial statements for donated services. The Foodbank generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foodbank with donated food salvage and reclamation, fundraising solicitations and other functions. Approximately 2,003 volunteers donated 14,849 hours of services to the Foodbank for the year ended September 30, 2017.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2017

1. Summary of Significant Accounting Policies (Continued)

Donated Services and Materials (Continued): In-kind donations are recorded as revenue and expense in the accompanying statement of activities or as additions to assets in the statement of financial position.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Contributions Receivable

Contributions receivable consist of promises to give to support the Foodbank's programs and capital purchases. Due to their current nature, no allowance for uncollectible pledges is deemed necessary by management.

3. Investments

The Foodbank had investments (all Level 1) as follows at September 30:

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Cash and sweep balances | \$ 424,325 | \$ 961,291 |
| Mutual funds of bonds | 976,394 | |
| Mutual funds of domestic equities | 212,716 | |
| Mutual funds of international equities | 576,383 | |
| Certificates of deposit | <u>1,436,184</u> | <u>2,606,970</u> |
| | <u>\$3,626,002</u> | <u>\$3,568,261</u> |

Investment return consisted of the following for the year ended September 30:

| | <u>2017</u> | <u>2016</u> |
|---|--------------------|-------------------|
| Interest and dividends | \$ 19,272 | \$ 1,656 |
| Realized gain on sale of investments | 42,561 | |
| Investment fees | <u>(2,048)</u> | <u>(9,907)</u> |
| Net investment income (loss) | <u>\$ 59,785</u> | <u>\$ (8,251)</u> |
| Net unrealized (loss) gain on investments | <u>\$ (32,341)</u> | <u>\$ 133,010</u> |

Fair values for mutual funds were determined by reference to quoted market prices and other relevant information generated by market transactions.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2017

4. Property and Equipment

Property and equipment consisted of the following at September 30:

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|
| Land, building and improvements | \$3,348,998 | \$3,348,998 |
| Furniture, fixtures and office equipment | 396,543 | 397,881 |
| Warehouse equipment | 893,771 | 896,234 |
| Vehicles | <u>426,298</u> | <u>420,714</u> |
| | 5,065,610 | 5,063,827 |
| Less accumulated depreciation | <u>2,711,889</u> | <u>2,408,517</u> |
| Property and equipment, net | <u>\$2,353,721</u> | <u>\$2,655,310</u> |

In the year ended September 30, 2017, the Foodbank disposed of \$17,466 of property and equipment, of which \$8,993 was not fully depreciated and resulted as a loss of \$8,946 on the statement of activities.

In the year ended September 30, 2016, the Foodbank disposed of \$86,281 of fully-depreciated property and equipment for \$2,500, which resulted in a gain on the statement of activities.

5. Notes Payable

Long-term debt consisted of the following at September 30:

| | <u>2017</u> | <u>2016</u> |
|---|-----------------|-----------------|
| Vermont Housing and Conservation Board: Non-interest bearing loan (modified in July 2016) payable in full December 2019. The loan is reduced by approved grant expenditures of the Foodbank. The loan is secured by a mortgage on property in Barre, VT. | \$23,234 | \$35,000 |
| Vermont Housing and Conservation Board: Non-interest bearing mortgage loan payable in annual installments of \$10,000, due December 2019. The loan is secured by a mortgage on property in Barre, VT. | <u>20,000</u> | <u>30,000</u> |
| Total | <u>\$43,234</u> | <u>\$65,000</u> |

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2017

5. Notes Payable (Continued)

Estimated maturities of long-term debt are as follows for the years ending September 30:

| | |
|------|-----------------|
| 2018 | \$33,234 |
| 2019 | <u>10,000</u> |
| | <u>\$43,234</u> |

6. Line of Credit

The Foodbank has a \$400,000 unsecured line of credit available through Community Bank, NA, which will mature in March 2018. The line of credit bears interest at the bank's base rate, subject to a minimum rate of 3.25%; the effective rate was 4.25% as of September 30, 2017. There was no amount outstanding under the line-of-credit agreement as of September 30, 2017 and 2016.

7. Board Designated Unrestricted Net Assets

The Board has designated \$300,000 of unrestricted net assets as being reserved for the long-term support of the Foodbank.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$1,094,662 and \$1,340,951 at September 30, 2017 and 2016, respectively, are from donations and grants restricted for various programs at the Foodbank.

9. Operating Leases

The Foodbank leases several trucks under 72-84-month operating leases with ending dates ranging from July 2017 to July 2022. Base charges are approximately \$1,900 per month plus \$.06 - \$.075 per mile plus \$.75 - \$.95 per refrigeration unit hour. Maintenance is provided by the lessor. The base and mileage charges are subject to annual inflation increases. Total costs for these leases during the fiscal years ended September 30, 2017 and 2016, were \$183,696 and \$182,222, respectively.

The Foodbank has two 10-year, non-cancelable leases for office and distribution space in Wolcott, Vermont, requiring monthly rental payments of \$3,896 through October 2018. The Foodbank also has a non-cancelable lease for warehouse space in Brattleboro, Vermont, with monthly payments of \$9,647 through October 2017, and increasing the following year through October 2018. In addition to the monthly rent for Brattleboro, if the cost of utilities exceeds the percentages stipulated in the rental agreements, the Foodbank is liable for their portion of the expenses.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2017

9. Operating Leases (Continued)

The Foodbank has a 5-year non-cancelable lease, with an option to renew the lease for an additional 5-year term, for warehouse space in Rutland, Vermont, with minimum monthly rental payments of \$8,190, plus additional CAM charges, through September 2017, and increasing each year thereafter through September 2019. Total facilities rent expense was approximately \$301,229 and \$253,384 for the years ended September 30, 2017 and 2016, respectively.

The Foodbank also has three different non-cancelable leases for their onsite copiers that expire at various dates through February 2018. Those leases require the Foodbank to pay a fixed monthly fee, as well as a cost per image copied. Total expense related to the copier leases was \$18,657 and \$20,968 for the years ended September 30, 2017 and 2016, respectively.

Future minimum lease payments under operating leases are as follows for the years ending September 30:

| | <u>Facilities</u> | <u>Vehicles</u> | <u>Equipment</u> | <u>Total</u> |
|------------|-------------------|------------------|------------------|------------------|
| 2018 | \$310,923 | \$149,400 | \$ 8,070 | \$468,393 |
| 2019 | 161,849 | 142,561 | 2,710 | 307,120 |
| 2020 | -0- | 113,967 | 1,788 | 115,755 |
| 2021 | -0- | 56,053 | 1,788 | 57,841 |
| 2022 | -0- | 46,086 | 1,788 | 47,874 |
| Thereafter | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| | <u>\$472,772</u> | <u>\$508,067</u> | <u>\$ 16,144</u> | <u>\$996,983</u> |

10. Retirement Plan

The Foodbank maintains a 403(b) Thrift Plan that covers substantially all employees. There are no minimum age or service requirements for employees to make contributions to the plan. The Foodbank may elect to contribute to the plan annually.

For fiscal year 2017, the Foodbank contributed 3.0% (1% in fiscal year 2016), of salaries to the retirement accounts of all eligible employees. Pension expense was \$64,566 and \$22,370 for the years ended September 30, 2017 and 2016, respectively.

11. Federal Food Commodity Programs

The Foodbank receives surplus food commodities from the USDA to support two programs – The Emergency Food Assistance Program (TEFAP) through the Vermont Department of Education, and the Commodity Supplemental Food Program (CSFP) through the Vermont Department of Disabilities, Aging and Independent Living. The Foodbank also receives monetary funding through the same agencies to offset some of the program and administrative costs.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2017

11. Federal Food Commodity Programs (Continued)

Federal support under these programs is summarized as follows for the year ended September 30, 2017:

| | <u>TEFAP</u> | <u>CSFP</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|
| Federal commodities: | | | |
| Value of commodities in opening inventory | \$ 891,194 | \$ 310,214 | \$1,201,408 |
| Value of commodities received | 3,378,908 | 1,781,032 | 5,159,940 |
| Value of commodities distributed | <u>(3,059,452)</u> | <u>(1,596,939)</u> | <u>(4,656,391)</u> |
| Value of commodities in ending inventory | <u>\$ 1,210,650</u> | <u>\$ 494,307</u> | <u>\$1,704,957</u> |
| Federal expenditures: | | | |
| Value of commodities distributed | \$ 3,059,452 | \$1,596,939 | \$ 4,656,391 |
| Monetary support received and expended | <u>121,358</u> | <u>226,611</u> | <u>347,969</u> |
| Total federal expenditures under these programs | <u>\$ 3,180,810</u> | <u>\$ 1,823,550</u> | <u>\$ 5,004,360</u> |

12. Commitments and Contingencies

As part of its "Certified Affiliate Agreement" with Feeding America, the Foodbank has agreed to operate its food donation and distribution system under certain industry standard procedures and to undergo biennial reviews. That agreement also requires the Foodbank to maintain cash reserves in an amount equaling at least three months of anticipated operating costs or to demonstrate a positive working capital in the previous fiscal year.

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to grantors. Although that is a possibility, management deems the contingency remote, since by accepting the awards and their terms, it has accommodated the objectives of the organization to the provisions of the grant.

13. Subsequent Events

The Foodbank has evaluated subsequent events after the statement of financial position date of September 30, 2017, through January 22, 2018, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required.

Supplementary Information

VERMONT FOODBANK
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

| Federal Grantor: Pass-through Grantor: Program Title | Federal CFDA Number | Pass-through Entity's Number | Federal Expenditures |
|--|---------------------------|------------------------------------|-------------------------|
| U.S. Department of Agriculture | | | |
| Passed through State of Vermont: | | | |
| Food Distribution Cluster: | | | |
| Passed through Vermont Agency of Education: | | | |
| Emergency Food Assistance Program - Administrative costs | 10.568 | 4473R9311700 | \$ 121,358 |
| Emergency Food Assistance Program - Food commodities | 10.569 | TEFAP | 3,059,452 |
| Passed through Vermont Department of Disabilities, Aging and Independent Living: | | | |
| Commodities Supplemental Food Program - Cash | 10.565 | 03460-7-2266 | 226,611 |
| Commodities Supplemental Food Program - Food commodities | 10.565 | | 1,596,939 |
| Total - Food Distribution Cluster | | | <u>5,004,360</u> |
| Passed through State of Vermont: | | | |
| SNAP Cluster: | | | |
| Passed through Vermont Department of Health, Division of Health Promotion & Disease Prevention: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 03420-6919S | 101,472 |
| Passed through Vermont Department for Children and Families: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 03440-39012-17 | 63,756 |
| Total - SNAP Cluster | | | <u>165,228</u> |
| Total U.S. Department of Agriculture | | | <u>5,169,588</u> |
| Total Federal Awards Expended | | | <u>\$ 5,169,588</u> |

Notes:

The schedule of expenditures of federal awards includes the federal activity of Vermont Foodbank and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Vermont Foodbank did not use the 10% de minimis indirect cost rate.