



Consolidated Financial Statements
June 30, 2016

Utah Food Bank and Utah Food Bank Foundation

Utah Food Bank and Utah Food Bank Foundation

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June 30, 2016

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Independent Auditor's Report

To the Board of Directors
Utah Food Bank and Utah Food Bank Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Utah Food Bank (a Utah nonprofit corporation) and Utah Food Bank Foundation (a Utah nonprofit corporation) (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 consolidated 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 the *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 consolidated financial statements are free of 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Utah Food Bank and Utah Food Bank Foundation as of June 30, 2016 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules (Consolidating Schedule of Assets, Liabilities, and Net Assets; Consolidating Schedule of Activities; and Eliminating Entries to Consolidating Schedules) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Consolidating Schedule of Assets, Liabilities, and Net Assets; Consolidating Schedule of Activities; and Eliminating Entries to Consolidating Schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 the Organization's internal control over financial reporting and compliance.



Salt Lake City, Utah
October 5, 2016

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Financial Position
June 30, 2016
With Summarized Financial Information for 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 3,856,027	\$ 2,603,883
Accounts receivable		
Government contracts	241,905	234,567
Other	23,396	754
Food inventory	2,811,774	2,313,629
Prepaid expenses	-	5,132
Investment in certificates of deposit	868,746	789,066
Cash equivalents - restricted for debt service	40,626	118,048
Debt issuance costs, net of accumulated amortization	30,234	90,702
Note receivable	8,785,700	8,785,700
Land, building and equipment, net of accumulated depreciation	11,148,807	10,847,910
Total assets	\$ 27,807,215	\$ 25,789,391
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 549,772	\$ 141,281
Accrued liabilities	442,736	389,749
Notes payable	12,082,286	12,243,713
Total liabilities	13,074,794	12,774,743
Net Assets		
Unrestricted		
Designated		
Food inventory	2,811,774	2,313,629
Property and equipment, net of related debt	4,793,077	4,164,544
Undesignated	6,753,599	6,125,302
Total unrestricted	14,358,450	12,603,475
Temporarily restricted	373,971	411,173
Total net assets	14,732,421	13,014,648
Total liabilities and net assets	\$ 27,807,215	\$ 25,789,391

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Activities
Year Ended June 30, 2016
With Summarized Financial Information for 2015

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
Public Support and Revenues				
In-Kind Support				
Volunteers	\$ 28,363	\$ -	\$ 28,363	\$ 22,022
Advertising	49,200	-	49,200	79,950
Food	62,285,947	-	62,285,947	64,476,615
Other supplies and equipment	365,829	-	365,829	501,895
Total in-kind support	<u>62,729,339</u>	<u>-</u>	<u>62,729,339</u>	<u>65,080,482</u>
Direct Contributions				
Contributions	6,792,947	313,124	7,106,071	5,836,940
Grants	2,623,093	-	2,623,093	2,540,457
United Way	224,245	-	224,245	226,504
Net assets released from restrictions	350,326	(350,326)	-	-
Total direct contributions	<u>9,990,611</u>	<u>(37,202)</u>	<u>9,953,409</u>	<u>8,603,901</u>
Revenues				
Government contracts	1,878,151	-	1,878,151	1,649,367
Interest income and other	86,698	-	86,698	50,659
Total revenues	<u>1,964,849</u>	<u>-</u>	<u>1,964,849</u>	<u>1,700,026</u>
Total public support and revenues	<u>74,684,799</u>	<u>(37,202)</u>	<u>74,647,597</u>	<u>75,384,409</u>
Program Expenses				
Logistics	66,736,040	-	66,736,040	69,697,912
Food programs and other	2,253,472	-	2,253,472	1,916,857
Total program expenses	<u>68,989,512</u>	<u>-</u>	<u>68,989,512</u>	<u>71,614,769</u>
Support Expenses				
Development	1,867,985	-	1,867,985	1,690,206
Management and general	2,072,327	-	2,072,327	1,743,720
Total support expenses	<u>3,940,312</u>	<u>-</u>	<u>3,940,312</u>	<u>3,433,926</u>
Total expenses	<u>72,929,824</u>	<u>-</u>	<u>72,929,824</u>	<u>75,048,695</u>
Change in Net Assets	1,754,975	(37,202)	1,717,773	335,714
Net Assets, Beginning of Year	<u>12,603,475</u>	<u>411,173</u>	<u>13,014,648</u>	<u>12,678,934</u>
Net Assets, End of Year	<u>\$ 14,358,450</u>	<u>\$ 373,971</u>	<u>\$ 14,732,421</u>	<u>\$ 13,014,648</u>

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2016
With Summarized Financial Information for 2015

	Logistics	Food Programs and Other	Total Programs	Development	Management and General	Total 2016	Total 2015
Salaries and wages	\$ 1,885,359	\$ 725,601	\$ 2,610,960	\$ 456,866	\$ 1,026,239	\$ 4,094,065	\$ 3,668,009
Payroll taxes and benefits	592,979	213,781	806,760	140,919	260,864	1,208,543	1,065,781
Total salaries and related expenses	2,478,338	939,382	3,417,720	597,785	1,287,103	5,302,608	4,733,790
Insurance	68,728	-	68,728	-	43,734	112,462	100,082
Office supplies	2,374	2,253	4,627	3,809	6,651	15,087	21,064
Postage and printing	3,795	6,493	10,288	50,615	9,295	70,198	54,638
Professional fees	35,964	5,212	41,176	96,356	91,894	229,426	168,714
Project costs	4,993	5,089	10,082	293,434	10,116	313,632	261,199
Direct solicitations	-	-	-	707,029	-	707,029	617,152
Warehouse supplies	163,802	7,853	171,655	-	-	171,655	160,864
Vehicle fuel and taxes	192,407	-	192,407	-	-	192,407	259,759
Food transportation	358,471	-	358,471	-	-	358,471	351,375
Utilities and property taxes	112,130	23,556	135,686	-	24,499	160,185	148,736
Building and equipment rent	22,189	-	22,189	-	2,859	25,048	21,570
Repairs and maintenance	413,052	7,734	420,786	-	10,862	431,648	356,260
Communications	19,230	4,099	23,329	3,542	36,053	62,924	70,410
Travel	24,140	3,116	27,256	5,767	5,340	38,363	31,156
Dues and subscriptions	31,370	3,015	34,385	15,083	1,039	50,507	45,415
Employee training and seminars	10,536	2,959	13,495	9,101	7,457	30,053	23,988
Financial fees	-	-	-	-	66,769	66,769	62,591
Advertising	-	-	-	369	-	369	1,523
Non-capital equipment purchases	14,814	6,645	21,459	10	26,066	47,535	53,534
Interest expense	37,273	-	37,273	-	123,614	160,887	162,840
Purchased food	129,201	1,211,446	1,340,647	-	-	1,340,647	1,233,802
In-kind food distribution	62,015,783	-	62,015,783	-	-	62,015,783	65,189,251
In-kind volunteers	-	-	-	-	28,363	28,363	22,022
In-kind project supplies	120,299	200	120,499	32,768	250	153,517	102,750
In-kind advertising	-	-	-	49,200	-	49,200	79,950
Total before depreciation	66,258,889	2,229,052	68,487,941	1,864,868	1,781,964	72,134,773	74,334,435
Depreciation and amortization	477,151	24,420	501,571	3,117	290,363	795,051	714,260
Total Functional Expenses	<u>\$ 66,736,040</u>	<u>\$ 2,253,472</u>	<u>\$ 68,989,512</u>	<u>\$ 1,867,985</u>	<u>\$ 2,072,327</u>	<u>\$ 72,929,824</u>	<u>\$ 75,048,695</u>

See Notes to Consolidated Financial Statements

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Cash Flows
Year Ended June 30, 2016
With Summarized Financial Information for 2015

	2016	2015
Operating Activities		
Change in net assets	\$ 1,717,773	\$ 335,714
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	795,051	714,260
Loss on disposal of equipment	30,517	-
In-kind food support	(62,285,947)	(64,476,615)
In-kind food distribution	62,015,783	65,189,251
In-kind equipment donations	(212,312)	(399,145)
Changes in assets and liabilities		
Government contracts receivable	(7,338)	(83,730)
Other receivables	(22,642)	132
Purchased inventory	(227,981)	(22,838)
Prepaid expenses	5,132	(5,132)
Accounts payable	408,491	35,977
Accrued liabilities	52,987	39,032
Net Cash from Operating Activities	2,269,514	1,326,906
Investing Activities		
Purchase of investments	(1,899,971)	(1,663,753)
Proceeds from sales/maturities of investments	1,820,291	874,687
Purchase of land, building, and equipment	(853,685)	(250,696)
Net Cash Used for Investing Activities	(933,365)	(1,039,762)
Financing Activities		
Receipts of temporarily restricted pledges	-	27,987
Payments on note payable	(161,427)	(34,474)
Net Cash Used for Financing Activities	(161,427)	(6,487)
Net Change in Cash and Cash Equivalents	1,174,722	280,657
Cash and Cash Equivalents, Beginning of Year	2,721,931	2,441,274
Cash and Cash Equivalents, End of Year	\$ 3,896,653	\$ 2,721,931
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 3,856,027	\$ 2,603,883
Cash equivalents - debt service reserve	40,626	118,048
Total cash and cash equivalents	\$ 3,896,653	\$ 2,721,931

Note 1 - Organization and Significant Accounting Policies

Utah Food Bank (the Food Bank) is a nonprofit organization established in 1904 to provide various community services to other agencies and to individuals in need. Utah Food Bank currently operates from two main facilities—one in Saint George, Utah and one in Salt Lake City, Utah, which allows the Food Bank’s efforts to reach individuals throughout the state of Utah. The Food Bank is governed by an independent, volunteer Board of Directors who oversees the Food Bank’s operations.

Utah Food Bank Foundation (the Foundation) is a nonprofit organization established in 2009 to support Utah Food Bank and to hold and lease property that supports Utah Food Bank’s mission.

The accompanying consolidated financial statements have been prepared in accordance with standards for nonprofit organizations adopted by the American Institute of Certified Public Accountants. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when received, promises to give are recorded when promised and collection is reasonably assured, and grant revenues are recorded when earned.

Basis of Consolidation

The consolidated financial statements include the accounts Utah Food Bank and the Utah Food Bank Foundation because Utah Food Bank has both control and an economic interest in the Foundation. Utah Food Bank is the sole voting member in the Foundation and, therefore, controls the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to collectively as the “Organization.”

Comparative Financial Information

Financial information for the fiscal year ended June 30, 2015 is included for comparison only and is not complete. The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to other long-term purposes are excluded from this definition. In addition, management also considers money market funds to be cash equivalents.

Program and Support Services — Support and program services provided by the Organization are as follows:

Logistics — The logistics department at Utah Food Bank is responsible for inventory shipping and receiving and also houses the fleet, including all food procurement and delivery vehicles. This department is responsible for the buildings, fleet and warehouse safety and maintenance, cleanliness, and efficient and accurate movement of product. The department also includes the Organization’s Chief Operating Officer.

Food Programs and Other — The other programs department of Utah Food Bank is responsible for direct and indirect food distribution service to clients and agencies. This includes the Food Box program, Kids Café program, BackPack program, and agency relations. It also provides support services to Salt Lake County seniors through yard care, snow removal, home repair, and in-home outreach and referral services.

Development — The development department at Utah Food Bank is responsible for all fund raising, marketing, public relations, food procurement, and volunteer efforts of the Organization. This department also includes the Organization's Chief Development Officer.

Management and General — Management and general consists of the finance, human resources, and general office support functions of the Organization. The department also houses portions of the Organization's leadership, most notably the Chief Executive Officer and the Chief Financial Officer.

Inventory

Inventory consists principally of donated food which is valued at a price nationally established and consistently applied, which was \$1.67 per pound for the six months ended June 30, 2016. The price was \$1.70 per pound from July 1, 2015 through December 31, 2015.

Property and Equipment

Equipment is recorded on the basis of cost for purchased assets or fair market value at the date of donation for donated assets. Depreciation is recorded using the straight-line method with asset lives ranging from 3 to 10 years for equipment and 10 to 40 years for buildings and improvements. The Organization capitalizes equipment with a carrying value greater than \$3,000.

Investments

The Organization holds certificates of deposit with original maturities exceeding 90 days but less than one year. The Organization has not elected the fair value reporting option for this other type of investment, and the balance is therefore reported at cost in the accompanying consolidated financial statements. Net investment return is reported with interest income in the statement of activities and consists of interest income, less investment management and custodial fees.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Contributions and Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for certain purposes or due to their nonspendable nature. The government contracts are received on a reimbursement basis. All restrictions placed on the money are met when the money is spent and the receivable is recognized. The Organization has elected to record the revenue from the government contracts as unrestricted.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by our Board of Directors. Temporarily restricted net assets at June 30, 2016 represent funds donated for technology upgrades, a website upgrade, and the mobile school pantry, that have not yet been expended for their intended purpose.

The Organization reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the 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 statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by our actions. The restrictions stipulate that resources be maintained permanently but permit us to expend the income generated in accordance with the provisions of the agreements. As of June 30, 2016, the Organization does not have any permanently restricted net assets.

In-Kind Support

The Organization receives donations from a variety of sources for services and products in the furtherance of its objectives. The in-kind support consists principally of food donated for distribution to food pantries, advertising contributed by the local major media, and goods and service items donated by companies and individuals. Contributed materials and equipment are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received.

In addition to the recorded in-kind support, the Organization receives substantial assistance from volunteers who donate significant amounts of their time in program services and food donation campaigns. Time donated for work that does not require a professional or craftsman cannot be recorded on the financial statements. Volunteer hours (unaudited) which fall into this category were 82,277 for the year ended June 30, 2016. For management purposes, unrecorded volunteer hours were tracked at a value of \$23.92 per hour for the year ended June 30, 2016. The value of volunteer hours (unaudited) donated to the Organization was \$1,968,061 for the year ended June 30, 2016.

Shipping and Handling Costs

Transportation costs reimbursed by government agencies are considered to be government contract revenue and related transportation costs are included in program expenses.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$49,569 for the year ended June 30, 2016, of which \$49,200 was in-kind.

Functional Allocation of Expenses

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

Income Taxes

The Food Bank and the Foundation are qualified charitable organizations under Section 501(c)(3) and 501(c)(2), respectively, of the Internal Revenue Code and under State of Utah tax regulations and, therefore, are not subject to federal or state income taxes in regard to their exempt activities. The Food Bank and the Foundation have been determined not to be private foundations under Sections 509(a)(1) and (3).

The Organizations are annually required to file Returns of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the organizations are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. When applicable, the organizations file Exempt Organization Business Income Tax Returns (Form 990-T) with the IRS to report their unrelated business taxable income. Each organization believes that it has appropriate support for any tax positions taken affecting their annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The organizations would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in certificates of deposit. At June 30, 2016, the Organization's deposits exceeded the insured limit by \$3,526,563. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Organization's mission.

Recently Issued Accounting Guidance

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-03: *Interest—Imputation of Interest*. To simplify the presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For nonpublic entities, this new guidance is effective for annual financial statements beginning after December 15, 2015. The Organization plans to implement this new guidance in its consolidated financial statements for the year ending June 30, 2017. The implementation will mean that the Organization’s statement of financial position will present debt issuance costs as a reduction of the Organization’s liabilities, instead of presenting the debt issuance costs as assets, and the amortization of debt issuance costs will be included with interest expense.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14: *Not-for-Profit Entities*. This new guidance stipulates that net assets be reported in two classes—net assets with donor restrictions and net assets without donor restrictions—rather than the currently required three classes. A number of enhanced disclosures covering various topics will also be required. This new guidance is effective for annual financial statements for fiscal years beginning after December 15, 2017. The Organization plans to implement this new guidance in its consolidated financial statements for the year ending June 30, 2019. The Organization is currently evaluating how this new guidance will affect the Organization’s consolidated financial statements.

Subsequent Events

Subsequent events have been evaluated through October 5, 2016, the date the consolidated financial statements were available to be issued.

Note 2 - Inventory

The following table indicates the inventory activity for the year ended June 30, 2016:

	Year Ended June 30, 2016	
	Pounds	Dollars
Beginning food inventory	1,406,997	\$ 2,313,629
Inventory valuation change		
Food received (donations and purchases)	38,473,641	63,768,987
Food shipped and other adjustments	(38,120,336)	(63,270,842)
Ending food inventory	1,760,302	\$ 2,811,774

Donated inventory was valued at \$1.67 per pound as of June 30, 2016, which value was nationally established. Purchased inventory is valued at cost.

Note 3 - Note Receivable

During the year ended June 30, 2010, the Food Bank advanced \$8,785,700 to UFB NMTC Investment Fund (see Note 5) and was issued a note receivable. The note accrues interest at 0.5% annually. Payments of interest only are required quarterly through December 2016. Principal and interest payments are required January 2017 through maturity in January 2040.

Note 4 - Land, Building and Equipment

The carrying value of land, building and equipment as of June 30, 2016 was as follows:

	Useful Life	June 30, 2016
Land		\$ 1,851,633
Building and improvements	10-40 years	9,349,461
Furniture, vehicles and equipment	3-10 years	4,640,691
Total cost		15,841,785
Less accumulated depreciation		(4,692,978)
Net land, building and equipment		\$ 11,148,807

The Organization recognized depreciation expense of \$734,583 during the year ended June 30, 2016.

Note 5 - New Market Tax Credit Project

In connection with the Organization's effort to obtain a new facility, the Food Bank partnered with UFB NMTC Investment Fund and obtained additional funding for its facility by utilizing the federal New Markets Tax Credit Program (NMTC). As part of the process to obtain NMTC funding, the Food Bank formed Utah Food Bank Foundation, of which the Food Bank is the sole member. Utah Food Bank Foundation is a nonprofit entity formed on December 1, 2009.

The NMTC permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must, in turn, be used by the CDE to provide investments in low-income communities. The tax credit provided to the investor totals 39 percent of the cost of the investment and the credit is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

In connection with the NMTC project, in December 2009, the Food Bank borrowed for one day \$8,785,700 from a financial institution. The Food Bank loaned the \$8,785,700 to UFB NMTC Investment Fund (see Note 3), who invested the funds in NFF New Markets Fund III, LLC. NFF New Markets Fund III, LLC then loaned \$8,785,700 to Utah Food Bank Foundation, along with additional loans of \$2,592,550 (see Note 6).

Utah Food Bank and Utah Food Bank Foundation
Notes to Consolidated Financial Statements
June 30, 2016

The Foundation then used the funds to acquire inventory, property, and equipment from the Food Bank for \$10,384,365. The following day, the Food Bank repaid the loan of \$8,785,700 to the financial institution. With the assets acquired, the Foundation is designated as a Community Development Entity and operates a portion of the Organization's warehouse.

In December 2009 the Food Bank also granted to the investors of the NFF New Markets Fund III, LLC and the investors of the UFB NMTC Investment Fund (collectively, the Funds), the right to sell to the Food Bank, after seven years, their investments in the Funds for the sum of \$234,400. If the investors exercise this option, the Food Bank would be able to re-acquire the assets purchased by the Foundation and would be able to cancel the note receivable (see Note 3) and the notes payable (see Note 6). If the investors do not exercise this option, the Food Bank will have the option of purchasing at fair market value the investments in the Funds.

Note 6 - Notes Payable

During the year ended June 30, 2010, the Foundation issued three long-term notes payable as a part of the New Market Tax Credit Project (Note 5). The payment terms and balances are summarized as follows as of June 30, 2016:

	June 30, 2016
Note payable to investment fund, annual interest of 1.09%, payable quarterly. Interest-only through December 2016. Quarterly principal and interest payments of \$108,053 due January 2017 through maturity at January 2040. Secured by equipment and buildings.	\$ 8,785,700
Note payable to investment fund, annual interest of 1.09%, payable quarterly. Interest-only through December 2016. Quarterly principal and interest payments of \$29,890 due January 2017 through maturity at January 2040. Secured by equipment and buildings.	2,430,324
Note payable to investment fund, annual interest of 1.09%, payable quarterly. Interest-only through December 2016. Quarterly principal and interest payments of \$1,995 due January 2017 through maturity at January 2040. Secured by equipment and buildings.	162,226
	\$ 11,378,250

As of June 30, 2016, scheduled future annual maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 218,403	\$ 123,281	\$ 341,684
2018	442,379	117,374	559,753
2019	447,205	112,549	559,754
2020	452,083	107,670	559,753
2021	457,015	102,738	559,753
2022 - 2040	9,361,165	1,806,539	11,167,704
Total	\$ 11,378,250	\$ 2,370,151	\$ 13,748,401

In connection with the New Market Tax Credit project and the issuance of the notes payable, the Foundation incurred debt issuance costs of \$423,280. The debt issuance costs are amortized on a straight-line basis across the projected loan period. Amortization expense for the year ended June 30, 2016 was \$60,468, while accumulated amortization was \$393,046.

The Foundation is required to keep on deposit a reserve for future interest payments. As of June 30, 2016, the reserve balance was \$40,626.

During the year ended June 30, 2012, the Organization secured a loan of \$981,575 from a financial institution bearing a variable interest rate tied to the five-year Libor Index.

The interest rate for this loan is calculated by adding 3.5 points to the Index, which resulted in a variable interest rate of 4.375% as of June 30, 2016. The loan is payable in monthly installments of \$5,196, including interest, and matures in 2032. The loan is secured by equipment and buildings. The loan also includes various covenants, including a requirement that the Organization maintain a debt coverage ratio of 1.25 to 1.0. As of June 30, 2016, the Organization's debt coverage ratio was above the required minimum amount. The debt coverage ratio is evaluated at the end of the Organization's fiscal year.

As of June 30, 2016, scheduled future annual maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 32,195	\$ 30,161	\$ 62,356
2018	33,633	28,724	62,357
2019	35,134	27,223	62,357
2020	36,702	25,654	62,356
2021	38,340	24,016	62,356
Thereafter	<u>528,032</u>	<u>132,777</u>	<u>660,809</u>
Total	<u>\$ 704,036</u>	<u>\$ 268,555</u>	<u>\$ 972,591</u>

Note 7 - Employee Benefit Plan

The Organization has adopted a 403(b) Thrift Plan for its employees whereby employees can contribute a certain percentage of their compensation. The Organization may also contribute to the plan, at the Organization's discretion. The Organization contributed \$184,221 for the year ended June 30, 2016.

Note 8 - Supplemental Cash Flow Information

Cash paid for interest was \$160,887 for the year ended June 30, 2016.

Note 9 - Related Party Transactions

The Organization makes regular food purchases from various suppliers. One of the Organization's board members is employed by a food suppliers from which the Organization purchases food. During the year ended June 30, 2016, the Organization purchased \$2,406 in food from this supplier. In addition, to take advantage of discounted fuel prices during the year ended June 30, 2016, the Organization purchased \$733, of fuel through a shipping company of which one of the board members is employed along with \$155,658 of fuel through another shipping company of which one of the board members is the President. Another board member is associated with a financial institution which is holding a promissory note and cash deposits for the Organization. See also Note 6 for information regarding notes payable.

In accordance with the Organization's conflict of interest policy, board members shall excuse themselves from positions, discussions, or votes where they have, appear to have, or believe they have a conflict of interest that would prevent them from acting in the best interests of the Organization.



Supplementary Information
June 30, 2016

Utah Food Bank and Utah Food Bank Foundation

Utah Food Bank and Utah Food Bank Foundation
Consolidating Schedule of Assets, Liabilities and Net Assets
June 30, 2016

	Utah Food Bank	Utah Food Bank Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 3,809,701	\$ 46,326	\$ -	\$ 3,856,027
Accounts receivable				
Government contracts	241,905	-	-	241,905
Other	23,396	-	-	23,396
Food inventory	2,811,774	-	-	2,811,774
Investment in certificates of deposit	868,746	-	-	868,746
Cash equivalents -				
debt service reserve	-	40,626	-	40,626
Debt issuance costs, net	-	59,905	(29,671) A	30,234
Note receivable	8,785,700	-	-	8,785,700
Investment in affiliate	439,407	-	(439,407) B	-
Land, building and equipment, net	5,497,113	5,651,694	-	11,148,807
Total Assets	\$22,477,742	\$ 5,798,551	\$ (469,078)	\$ 27,807,215
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 549,772	\$ -	\$ -	\$ 549,772
Accrued liabilities	442,736	-	-	442,736
Notes payable	704,036	11,378,250	-	12,082,286
Total liabilities	1,696,544	11,378,250	-	13,074,794
Net Assets				
Unrestricted				
Designated				
Food inventory	2,811,774	-	-	2,811,774
Property and equipment, net of related debt	4,793,077	-	-	4,793,077
Undesignated	12,802,376	(5,579,699)	(439,407) B (29,671) A	6,753,599
Total unrestricted	20,407,227	(5,579,699)	(469,078)	14,358,450
Temporarily restricted	373,971			373,971
Total net assets	20,781,198	(5,579,699)	(469,078)	14,732,421
Total Liabilities and Net Assets	\$22,477,742	\$ 5,798,551	\$ (469,078)	\$ 27,807,215

Utah Food Bank and Utah Food Bank Foundation
Consolidating Schedule of Activities
June 30, 2016

	Utah Food Bank	Utah Food Bank Foundation	Eliminations	Total
Public Support and Revenues				
In-Kind Support				
Volunteers	\$ 28,363	\$ -	\$ -	\$ 28,363
Advertising	49,200	-	-	49,200
Food	62,285,947	-	-	62,285,947
Other supplies and equipment	365,829	-	-	365,829
Total in-kind support	<u>62,729,339</u>	<u>-</u>	<u>-</u>	<u>62,729,339</u>
Direct Contributions				
Contributions	7,106,071	-	-	7,106,071
Grants	2,623,093	-	-	2,623,093
United Way	224,245	-	-	224,245
Total direct contributions	<u>9,953,409</u>	<u>-</u>	<u>-</u>	<u>9,953,409</u>
Revenues				
Government contracts	1,878,151	-	-	1,878,151
Rental income	-	49,400	(49,400) C	-
Interest income and other	86,690	8	-	86,698
Total revenues	<u>1,964,841</u>	<u>49,408</u>	<u>(49,400)</u>	<u>1,964,849</u>
Total public support and revenues	<u>74,647,589</u>	<u>49,408</u>	<u>(49,400)</u>	<u>74,647,597</u>
Program Expenses				
Logistics	66,698,713	37,327	-	66,736,040
Food programs and other	2,248,148	5,324	-	2,253,472
Total program expenses	<u>68,946,861</u>	<u>42,651</u>	<u>-</u>	<u>68,989,512</u>
Support Expenses				
Development	1,867,985	-	-	1,867,985
Management and general	1,813,955	367,116	(49,400) C (59,344) A	2,072,327
Total expenses	<u>72,628,801</u>	<u>409,767</u>	<u>(108,744)</u>	<u>72,929,824</u>
Change in Net Assets	2,018,788	(360,359)	59,344	1,717,773
Net Assets at Beginning of Year	<u>18,762,410</u>	<u>(5,219,340)</u>	<u>(528,422)</u>	<u>13,014,648</u>
Net Assets at End of Year	<u>\$ 20,781,198</u>	<u>\$ (5,579,699)</u>	<u>\$ (469,078)</u>	<u>\$ 14,732,421</u>

Utah Food Bank and Utah Food Bank Foundation
Eliminating Entries to Consolidating Schedules
June 30, 2016

Eliminating Entry A – Eliminates debt issuance costs paid by the Foundation to the Food Bank, net of the accumulated amortization through June 30, 2016.

Eliminating Entry B – Eliminates the Food Bank’s investment in the Foundation.

Eliminating Entry C – Eliminates intercompany building and equipment rent.