



Financial Statements
June 30, 2020

Utah Food Bank

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Independent Auditor's Report

To the Board of Directors
Utah Food Bank
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Food Bank (a Utah nonprofit corporation) (the Organization), 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 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 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 Utah Food Bank as of June 30, 2020, and the changes in its net assets and 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 the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2020, 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 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 operating effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Salt Lake City, Utah
December 23, 2020

Utah Food Bank
Statement of Financial Position
June 30, 2020
(with summarized financial information for 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 13,553,185	\$ 1,716,251
Accounts receivable		
Government contracts	1,493,376	1,265,465
Promise to give	-	26,000
Other	88,761	73,454
Food inventory	2,795,375	2,408,474
Prepaid expenses	48,114	42,581
Investments in certificates of deposit	5,660,000	7,519,085
Right-of-use assets, net	358,087	-
Land, building and equipment, net of accumulated depreciation	10,480,854	10,381,182
	\$ 34,477,752	\$ 23,432,492
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 342,969	\$ 331,215
Accrued liabilities	1,179,150	979,132
Contingencies	-	326,053
Finance leases	364,479	-
Paycheck Protection Program Loan	1,171,500	-
Total liabilities	3,058,098	1,636,400
Net Assets		
Without donor restrictions		
Designated		
Food inventory	2,795,375	2,408,474
Property and equipment, net of related debt	10,474,462	10,381,182
Undesignated	17,964,445	8,760,536
Total net assets without donor restrictions	31,234,282	21,550,192
With donor restrictions	185,372	245,900
Total net assets	31,419,654	21,796,092
	\$ 34,477,752	\$ 23,432,492

Utah Food Bank
Statement of Activities
Year Ended June 30, 2020
(with summarized financial information for 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Public Support and Revenues				
In-Kind Support				
Services	\$ -	\$ -	\$ -	\$ 20,369
Food	83,073,644	-	83,073,644	71,627,702
Other supplies and equipment	174,084	-	174,084	259,481
Total in-kind support	<u>83,247,728</u>	<u>-</u>	<u>83,247,728</u>	<u>71,907,552</u>
Direct Contributions				
Special events	181,549	-	181,549	541,031
Less cost of direct benefit to donors	(64,880)	-	(64,880)	(222,470)
Net special events revenue	116,669	-	116,669	318,561
Contributions	14,820,284	35,372	14,855,656	8,297,600
Grants	3,889,487	150,000	4,039,487	2,196,316
United Way	57,736	-	57,736	141,951
Net assets released from restrictions	245,900	(245,900)	-	-
Total direct contributions	<u>19,130,076</u>	<u>(60,528)</u>	<u>19,069,548</u>	<u>10,954,428</u>
Revenues				
Government contracts	3,649,940	-	3,649,940	2,987,803
Interest income and other	206,773	-	206,773	277,098
Total revenues	<u>3,856,713</u>	<u>-</u>	<u>3,856,713</u>	<u>3,264,901</u>
Total public support and revenues	<u>106,234,517</u>	<u>(60,528)</u>	<u>106,173,989</u>	<u>86,126,881</u>
Program Expenses				
Statewide food distribution	89,517,470	-	89,517,470	77,507,965
Direct food programs	3,090,121	-	3,090,121	2,840,476
Total program expenses	<u>92,607,591</u>	<u>-</u>	<u>92,607,591</u>	<u>80,348,441</u>
Support Expenses				
Development	1,833,349	-	1,833,349	1,669,521
Management and general	2,109,487	-	2,109,487	1,947,338
Total support expenses	<u>3,942,836</u>	<u>-</u>	<u>3,942,836</u>	<u>3,616,859</u>
Total expenses	<u>96,550,427</u>	<u>-</u>	<u>96,550,427</u>	<u>83,965,300</u>
Change in Net Assets	9,684,090	(60,528)	9,623,562	2,161,581
Net Assets, Beginning of Year	21,550,192	245,900	21,796,092	19,634,511
Net Assets, End of Year	<u>\$ 31,234,282</u>	<u>\$ 185,372</u>	<u>\$ 31,419,654</u>	<u>\$ 21,796,092</u>

See Notes to Financial Statements

Utah Food Bank
Statement of Functional Expenses
Year Ended June 30, 2020
(with summarized financial information for 2019)

	Statewide Food Distribution	Direct Food Programs	Total Programs	Development	Management and General	Total 2020	Total 2019
Salaries and wages	\$ 2,573,017	\$ 898,363	\$ 3,471,380	\$ 495,848	\$ 1,171,402	\$ 5,138,630	\$ 4,612,537
Payroll taxes and benefits	<u>682,673</u>	<u>234,270</u>	<u>916,943</u>	<u>122,670</u>	<u>347,146</u>	<u>1,386,759</u>	<u>1,330,218</u>
Total salaries and related expenses	3,255,690	1,132,633	4,388,323	618,518	1,518,548	6,525,389	5,942,755
Insurance	85,625	9,875	95,500	-	21,044	116,544	119,010
Office supplies	3,503	4,443	7,946	1,518	10,622	20,086	22,304
Postage and printing	2,454	7,386	9,840	46,842	17,294	73,976	55,217
Professional fees	1,575	89	1,664	41,785	69,381	112,830	128,965
Project costs	20,095	177,281	197,376	330,026	13,055	540,457	398,519
Direct solicitations	-	-	-	716,632	-	716,632	821,769
Warehouse supplies	196,951	7,696	204,647	-	785	205,432	179,852
Vehicle fuel and taxes	255,637	-	255,637	-	-	255,637	290,968
Food transportation	451,323	6,118	457,441	-	513	457,954	510,424
Utilities and property taxes	98,659	19,583	118,242	-	20,544	138,786	149,521
Building and equipment rent	54,813	-	54,813	-	4,681	59,494	64,190
Repairs and maintenance	494,646	3,947	498,593	2,789	20,321	521,703	538,752
Communications	29,669	5,907	35,576	3,917	23,389	62,882	62,148
Travel	5,709	2,267	7,976	5,652	4,190	17,818	37,411
Dues and subscriptions	28,373	2,390	30,763	54,639	121,338	206,740	105,104
Employee training and seminars	9,560	7,893	17,453	1,669	16,697	35,819	35,983
Financial fees	-	-	-	-	154,985	154,985	91,613
Non-capital equipment purchases	18,224	51,039	69,263	69	22,545	91,877	95,390
Interest expense	7,666	-	7,666	-	-	7,666	-
Purchased food	561,027	1,520,180	2,081,207	-	-	2,081,207	1,446,584
In-kind food distribution	83,073,896	-	83,073,896	-	-	83,073,896	72,016,922
In-kind services	-	-	-	-	-	-	20,369
In-kind project supplies	<u>54,672</u>	<u>8,240</u>	<u>62,912</u>	<u>34,235</u>	<u>9,418</u>	<u>106,565</u>	<u>144,683</u>
Total before depreciation and amortization	88,709,767	2,966,967	91,676,734	1,858,291	2,049,350	95,584,375	83,278,453
Depreciation and amortization	<u>807,703</u>	<u>123,154</u>	<u>930,857</u>	<u>39,938</u>	<u>60,137</u>	<u>1,030,932</u>	<u>909,317</u>
Total expenses by function	89,517,470	3,090,121	92,607,591	1,898,229	2,109,487	96,615,307	84,187,770
Less expenses included with revenues on the statement of activities							
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,880)</u>	<u>-</u>	<u>(64,880)</u>	<u>(222,470)</u>
Total expenses included in the expense section in the statement of activities	<u>\$ 89,517,470</u>	<u>\$ 3,090,121</u>	<u>\$ 92,607,591</u>	<u>\$ 1,833,349</u>	<u>\$ 2,109,487</u>	<u>\$ 96,550,427</u>	<u>\$ 83,965,300</u>

See Notes to Financial Statements

Utah Food Bank
Statement of Cash Flows
Year Ended June 30, 2020
(with summarized financial information for 2019)

	2020	2019
Operating Activities		
Change in net assets	\$ 9,623,562	\$ 2,161,581
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,030,932	909,317
Gain on disposal of equipment	(13,158)	(96,445)
In-kind food support	(83,073,644)	(71,627,702)
In-kind food distribution	83,073,896	72,016,922
In-kind equipment donations	(20,000)	(113,466)
Changes in assets and liabilities		
Government contracts receivable	(227,911)	(554,363)
Other receivables	(15,307)	(59,050)
Food inventory	(387,153)	(30,516)
Prepaid expenses	(5,533)	16,769
Accounts payable	11,754	(211,617)
Accrued liabilities	200,018	372,293
Contingencies	(326,053)	-
Net Cash from Operating Activities	9,871,403	2,783,723
Investing Activities		
Purchase of certificates of deposit	(3,050,915)	(2,006,316)
Proceeds from sales/maturities of certificates of deposit	4,910,000	24,463
Proceeds from sale of equipment	31,360	100,619
Purchase of land, building, and equipment	(1,057,189)	(471,114)
Net Cash from (used for) Investing Activities	833,256	(2,352,348)
Financing Activities		
Receipts on promises to give with donor restrictions	26,000	38,600
Proceeds from Paycheck Protection Program loan	1,171,500	-
Principal payments on finance leases	(65,225)	-
Net Cash from Financing Activities	1,132,275	38,600
Net Change in Cash and Cash Equivalents	11,836,934	469,975
Cash and Cash Equivalents, Beginning of Year	1,716,251	1,246,276
Cash and Cash Equivalents, End of Year	\$ 13,553,185	\$ 1,716,251
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	\$ 7,666	-

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Utah Food Bank (the Organization) 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 Organization’s efforts to reach individuals throughout the State of Utah. The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization’s operations.

Comparative Financial Information

Financial information for the fiscal year ended June 30, 2019, 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, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers 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:

Statewide Food Distribution – The operations department at the Utah Food Bank is responsible for collecting, storing and distributing millions of pounds of food each year to partner food pantries and agencies throughout the State of Utah. This includes the Grocery Rescue Program where fresh and perishable food nearing expiration is picked up daily from grocery retailers and immediately taken to food pantries. The operations department is responsible for: buildings, fleet of vehicles, warehouse safety, maintenance, cleanliness, and efficient and accurate movement of product. The department also includes the Organization’s Chief Operating Officer.

Direct Food Programs – These include the departments of the Utah Food Bank that are responsible for direct and indirect food distribution service to clients and agencies. These programs include: Mobile School Pantry Program, Community Mobile Program, Food Box Program, Kids Cafe Program, Backpack Program, and agency relations.

Development – The development department at Utah Food Bank is responsible for all fundraising, marketing, public relations, food procurement, and volunteer efforts of the Organization.

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 nationally established price consistently applied. The price was \$1.52 per pound for food received from federal programs and \$1.62 per pound for all other food and related items received from July 1, 2019 through December 31, 2019. Beginning on January 1, 2020 and through June 30, 2020, the price was \$1.49 per pound for food received from federal programs and \$1.74 per pound for all other food and related items. The Organization applies these two different prices, depending on the source, because the commodities from the federal programs consist solely of food, while other donations can at times include non-food items.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years for equipment and ten to forty years for buildings and improvements or, in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

Right-of-Use Assets and Finance Leases

Leases with a term of more than 12 months are recorded as right-of-use assets with a corresponding lease liability recorded at the present value of the future lease payments. See Note 6 for further information.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized as expenses on a straight-line basis.

Investments in Certificates of Deposit

The Organization holds certificates of deposit with original maturities exceeding ninety 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 financial statements. Net investment return is reported with interest income in the statement of activities and consists of interest income, less external and direct internal investment expenses.

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, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Contributions and Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, certain net assets that are not expected to be converted to cash. Net assets without donor restrictions that are designated by the board are inventory and property and equipment, net of related debt. The designated balance of property and equipment, net of related debt includes: land, building, equipment, and right-of-use assets, net of depreciation and amortization, and net of the related lease liabilities.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities as net assets released from restrictions.

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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2020, conditional contributions approximating \$1,443,690, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

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. The Organization records 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 120,506 for the year ended June 30, 2020. For management purposes, unrecorded volunteer hours were tracked at a value of \$26.60 per hour for the year ended June 30, 2020. The value of volunteer hours (unaudited) donated to the Organization was \$3,205,469 for the year ended June 30, 2020.

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.

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. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are directly attributable to a functional category without significant allocation, except for depreciation and amortization on certain building, improvements, and right-to-use assets and for the CEO's compensation. Depreciation on the building and certain building improvements are allocated between programs and management and general based on the square footage used by each function. The CEO's compensation is allocated based on an estimate of time spent on each function.

Income Taxes

The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah tax regulations and, therefore, is not subject to federal or state income taxes in regard to its exempt activities. The Organization has been determined not to be a private foundation under Sections 509(a)(1) and (3).

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes.

When applicable, the Organization files Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization 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 the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

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. 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.

Subsequent Events

Subsequent to year-end, the continuation of the outbreak of the novel Coronavirus pandemic, or COVID-19, has significantly increased risk and uncertainties in the global economy including the activities in which the Organization operates. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

Subsequent events have been evaluated through December 23, 2020, the date the financial statements were available to be issued.

Note 2 - Changes in Accounting Policy

Adoption of Accounting Standards Update 2018-08 (Contributions Received)

The Organization has adopted the provisions of Accounting Standards Update (ASU) Number 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional.

As of July 1, 2019, the Organization has implemented the provisions of ASU 2018-08 applicable to contributions received on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Organization’s financial statements.

Adoption of Accounting Standards Codification Topic 842, Leases

Effective July 1, 2019, the Organization elected to adopt the new lease accounting guidance in ASU Number 2016-02, *Leases* (Topic 842). The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization did not recognize any cumulative effect adjustments. See Note 6 for further disclosure of the Organization’s lease contracts.

Note 3 - Liquidity and Availability

Utah Food Bank operates on a balanced budget and regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize its mission. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Balance
Cash and cash equivalents	\$ 13,517,813
Accounts receivable	1,432,137
Investments in certificates of deposit	5,660,000
	\$ 20,609,950

Note 4 - Inventory

The following table indicates the inventory activity for the year ended June 30, 2020:

	Pounds	Dollars
Beginning food inventory	1,552,146	\$ 2,408,474
Food received (donations and purchases)	53,704,893	86,189,662
Food shipped and other adjustments	(53,445,317)	(85,802,761)
Ending food inventory	1,811,722	\$ 2,795,375

Donated inventory was valued at \$1.74 or \$1.49 per pound, depending on the type, as of June 30, 2020, which values were nationally established. Purchased inventory is valued at the lower of cost or net realizable value determined by the first-in, first-out method.

Note 5 - Land, Building and Equipment

The carrying value of land, building and equipment as of June 30, 2020, was as follows:

	Balance
Land	\$ 1,851,633
Building and improvements	9,610,438
Furniture, vehicles and equipment	5,996,715
Total cost	17,458,786
Less accumulated depreciation	(6,977,932)
Land, building and equipment, net of accumulated depreciation	\$ 10,480,854

The Organization recognized depreciation expense of \$959,315 during the year ended June 30, 2020.

Note 6 - Leases

The Organization leases vehicles under long-term, non-cancelable finance lease agreements with a term of six years. The leases expire in fiscal year 2025. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for monthly rental payments of \$6,338.

The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate.

Total lease costs for the year ended June 30, 2020, were as follows:

Finance lease cost		
Interest expense	\$	7,666
Amortization of right-of-use assets		71,617

The following table summarizes the supplemental cash flow information for the year ended June 30, 2020:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows used for finance leases	\$	7,666
Financing cash flows used for finance leases		65,225

Right-of-use assets obtained in exchange for lease liabilities		
Finance leases	\$	429,704

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of June 30, 2020.

<u>Years Ending June 30,</u>		
2021	\$	78,922
2022		76,060
2023		76,060
2024		76,060
2025		76,060
Thereafter		-
		<hr/>
Total lease payments		383,162
Less interest		(18,683)
		<hr/>
Present value of lease liabilities	\$	<u>364,479</u>

Note 7 - Paycheck Protection Program (PPP) Loan

The Organization was granted a \$1,171,500 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal Government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

Restricted by donors for food purchases	\$ 35,372
Other time restrictions (proceeds are not restricted by donors)	<u>150,000</u>
	<u><u>\$ 185,372</u></u>

Note 9 - 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 made contributions of \$241,469 for the plan year ended June 30, 2020.

Note 10 - Related Party Transactions

During the year ended June 30, 2020, the Organization purchased \$156,966 of fuel through a shipping company of which one of the board members is the President. The Organization also spent \$90,416 (of which \$88,400 was a grant) at a grocery store where one of the board members is a Vice President.