



Consolidated Financial Statements
June 30, 2017

Utah Food Bank and Utah Food Bank Foundation

Utah Food Bank and Utah Food Bank Foundation

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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, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, 2017, 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 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 20, 2017, 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.

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

Salt Lake City, Utah
December 20, 2017

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Financial Position
June 30, 2017
With Summarized Financial Information for 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 3,152,373	\$ 3,856,027
Accounts receivable		
Government contracts	522,383	241,905
Other	152,548	23,396
Food inventory	2,441,187	2,811,774
Prepaid expenses	73,313	-
Investments in certificate of deposit	1,747,122	868,746
Cash equivalents - restricted for debt service	-	40,626
Debt issuance costs, net of accumulated amortization	-	30,234
Note receivable	-	8,785,700
Land, building and equipment, net of accumulated depreciation	11,038,583	11,148,807
Total assets	\$ 19,127,509	\$ 27,807,215
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 102,510	\$ 549,772
Accrued liabilities	486,960	442,736
Contingencies	326,053	-
Notes payable	-	12,082,286
Total liabilities	915,523	13,074,794
Net Assets		
Unrestricted		
Designated		
Food inventory	2,441,187	2,811,774
Property and equipment, net of related debt	11,038,583	4,793,077
Undesignated	4,284,753	6,753,599
Total unrestricted	17,764,523	14,358,450
Temporarily restricted	447,463	373,971
Total net assets	18,211,986	14,732,421
Total liabilities and net assets	\$ 19,127,509	\$ 27,807,215

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Activities
Year Ended June 30, 2017
With Summarized Financial Information for 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Public Support and Revenues				
In-Kind Support				
Services	\$ 26,527	\$ -	\$ 26,527	\$ 28,363
Advertising	2,545	-	2,545	49,200
Food	63,708,978	-	63,708,978	62,285,947
Other supplies and equipment	109,653	-	109,653	365,829
Total in-kind support	<u>63,847,703</u>	<u>-</u>	<u>63,847,703</u>	<u>62,729,339</u>
Direct Contributions				
Special events	518,880	-	518,880	399,278
Less cost of direct benefit to donors	(225,405)	-	(225,405)	(144,215)
Net special events revenue	293,475	-	293,475	255,063
Contributions	6,412,004	441,184	6,853,188	6,706,793
Grants	2,857,665	-	2,857,665	2,623,093
United Way	236,718	-	236,718	224,245
Net assets released from restrictions	367,692	(367,692)	-	-
Total direct contributions	<u>10,167,554</u>	<u>73,492</u>	<u>10,241,046</u>	<u>9,809,194</u>
Revenues				
Government contracts	2,054,366	-	2,054,366	1,878,151
Interest income and other	2,419,060	-	2,419,060	86,698
Total revenues	<u>4,473,426</u>	<u>-</u>	<u>4,473,426</u>	<u>1,964,849</u>
Total public support and revenues	<u>78,488,683</u>	<u>73,492</u>	<u>78,562,175</u>	<u>74,503,382</u>
Program Expenses				
Statewide food distribution	68,891,292	-	68,891,292	66,736,040
Direct food programs	2,703,791	-	2,703,791	2,253,472
Total program expenses	<u>71,595,083</u>	<u>-</u>	<u>71,595,083</u>	<u>68,989,512</u>
Support Expenses				
Development	1,619,417	-	1,619,417	1,723,770
Management and general	1,868,110	-	1,868,110	2,072,327
Total support expenses	<u>3,487,527</u>	<u>-</u>	<u>3,487,527</u>	<u>3,796,097</u>
Total expenses	<u>75,082,610</u>	<u>-</u>	<u>75,082,610</u>	<u>72,785,609</u>
Change in Net Assets	3,406,073	73,492	3,479,565	1,717,773
Net Assets, Beginning of Year	<u>14,358,450</u>	<u>373,971</u>	<u>14,732,421</u>	<u>13,014,648</u>
Net Assets, End of Year	<u>\$ 17,764,523</u>	<u>\$ 447,463</u>	<u>\$ 18,211,986</u>	<u>\$ 14,732,421</u>

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Functional Expenses
Year Ended June 30, 2017
With Summarized Financial Information for 2016

	Statewide Food Distribution	Direct Food Programs	Total Programs	Development	Management and General	Total 2017	Total 2016
Salaries and wages	\$ 1,944,396	\$ 869,706	\$ 2,814,102	\$ 449,020	\$ 1,026,702	\$ 4,289,824	\$ 4,094,065
Payroll taxes and benefits	788,878	380,069	1,168,947	176,460	302,772	1,648,179	1,208,543
Total salaries and related expenses	2,733,274	1,249,775	3,983,049	625,480	1,329,474	5,938,003	5,302,608
Insurance	69,659	1,809	71,468	-	37,407	108,875	112,462
Office supplies	1,839	3,223	5,062	2,688	11,034	18,784	15,087
Postage and printing	3,939	6,285	10,224	35,089	8,808	54,121	70,198
Professional fees	13,508	994	14,502	61,228	73,198	148,928	229,426
Project costs	9,343	24,858	34,201	247,707	12,696	294,604	313,632
Direct solicitations	-	-	-	744,931	-	744,931	707,029
Warehouse supplies	177,470	5,446	182,916	-	-	182,916	171,655
Vehicle fuel and taxes	208,039	-	208,039	-	-	208,039	192,407
Food transportation	287,799	-	287,799	-	-	287,799	358,471
Utilities and property taxes	105,755	22,089	127,844	-	22,972	150,816	160,185
Building and equipment rent	6,369	-	6,369	-	15,350	21,719	25,048
Repairs and maintenance	351,623	9,664	361,287	790	15,052	377,129	431,648
Communications	24,397	5,524	29,921	5,871	31,715	67,507	62,924
Travel	16,028	6,932	22,960	1,806	9,376	34,142	38,363
Dues and subscriptions	30,602	2,494	33,096	54,374	12,774	100,244	50,507
Employee training and seminars	10,319	3,110	13,429	2,420	9,479	25,328	30,053
Financial fees	-	-	-	-	71,472	71,472	66,769
Advertising	-	-	-	544	53	597	369
Non-capital equipment purchases	16,111	8,121	24,232	2,201	36,881	63,314	47,535
Interest expense	90,602	3,416	94,018	2,049	20,098	116,165	160,887
Purchased food	85,687	1,312,756	1,398,443	-	-	1,398,443	1,340,647
In-kind food distribution	63,951,284	-	63,951,284	-	-	63,951,284	62,015,783
In-kind services	825	-	825	-	26,527	27,352	28,363
In-kind project supplies	52,436	2,682	55,118	39,219	-	94,337	153,517
In-kind advertising	-	-	-	2,545	-	2,545	49,200
Total before depreciation	68,246,908	2,669,178	70,916,086	1,828,942	1,744,366	74,489,394	72,134,773
Depreciation and amortization	644,384	34,613	678,997	15,880	123,744	818,621	795,051
Total expenses by function	68,891,292	2,703,791	71,595,083	1,844,822	1,868,110	75,308,015	72,929,824
Less expenses included with revenues on the statement of activities							
Cost of direct benefit to donors	-	-	-	(225,405)	-	(225,405)	(144,215)
Total expenses included in the expense section in the statement of activities	<u>\$ 68,891,292</u>	<u>\$ 2,703,791</u>	<u>\$ 71,595,083</u>	<u>\$ 1,619,417</u>	<u>\$ 1,868,110</u>	<u>\$ 75,082,610</u>	<u>\$ 72,785,609</u>

See Notes to Consolidated Financial Statements

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Cash Flows
Year Ended June 30, 2017
With Summarized Financial Information for 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 3,479,565	\$ 1,717,773
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	818,621	795,051
Loss on disposal of equipment	4,723	30,517
In-kind food support	(63,708,978)	(62,285,947)
In-kind food distribution	63,951,284	62,015,783
In-kind equipment donations	(23,580)	(212,312)
Gain on exercise of new market tax credit option	(2,358,150)	-
Changes in assets and liabilities		
Government contracts receivable	(280,478)	(7,338)
Other receivables	(142,152)	(22,642)
Food inventory	128,281	(227,981)
Prepaid expenses	(73,313)	5,132
Accounts payable	(447,262)	408,491
Accrued liabilities	44,224	52,987
Contingencies	326,053	-
Net Cash from Operating Activities	1,718,838	2,269,514
Investing Activities		
Purchase of new market tax credit notes	(234,400)	-
Purchase of certificates of deposit	(4,901,203)	(1,899,971)
Proceeds from sales/maturities of certificates of deposit	4,022,827	1,820,291
Purchase of land, building, and equipment	(659,306)	(853,685)
Net Cash Used for Investing Activities	(1,772,082)	(933,365)
Financing Activities		
Receipts of temporarily restricted pledges	13,000	-
Payments on note payable	(704,036)	(161,427)
Net Cash Used for Financing Activities	(691,036)	(161,427)
Net Change in Cash and Cash Equivalents	(744,280)	1,174,722
Cash and Cash Equivalents, Beginning of Year	3,896,653	2,721,931
Cash and Cash Equivalents, End of Year	\$ 3,152,373	\$ 3,896,653
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 3,152,373	\$ 3,856,027
Cash equivalents - debt service reserve	-	40,626
Total cash and cash equivalents	\$ 3,152,373	\$ 3,896,653

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, 2016 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, 2016, 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 the: 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. Statewide Food Distribution has previously been named "Logistics" in prior years' reports.

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. The Direct Food Programs were formerly called "Food Programs and Other" in prior years' reports.

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 nationally established price consistently applied. The price was \$1.67 per pound from July 1, 2016 through December 31, 2016. Beginning on January 1, 2017 and through June 30, 2017, the price was \$1.52 for food received from federal programs and \$1.73 per pound for all other food and related items. On January 1, 2017, the Organization began applying 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 \$3,000 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 or amortization are removed from the accounts, and any resulting gain or loss is included in the statements 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.

Investments

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 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, 2017, 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.

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, 2017, 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 83,894 for the year ended June 30, 2017. For management purposes, unrecorded volunteer hours were tracked at a value of \$24.27 per hour for the year ended June 30, 2017. The value of volunteer hours (unaudited) donated to the Organization was \$2,036,107 for the year ended June 30, 2017.

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 \$3,142 for the year ended June 30, 2017, of which \$2,545 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, 2017, the Organization's deposits exceeded the insured limit by \$2,825,114. 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 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 December 20, 2017, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications of special event revenue and expenses previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Note 2 - Inventory

The following table indicates the inventory activity for the year ended June 30, 2017:

	Year Ended June 30, 2017	
	Pounds	Dollars
Beginning food inventory	1,760,302	\$ 2,811,774
Inventory valuation change		
Food received (donations and purchases)	39,844,810	66,278,955
Food shipped and other adjustments	(40,091,745)	(66,649,542)
Ending food inventory	1,513,367	\$ 2,441,187

Donated inventory was valued at \$1.73 or \$1.52 per pound, depending on the type, as of June 30, 2017, which values were nationally established. Purchased inventory is valued at the lower of cost or market determined by the first-in first-out method.

Note 3 - Land, Building and Equipment

The carrying value of land, building and equipment as of June 30, 2017 was as follows:

	Useful Life	June 30, 2017
Land		\$ 1,851,633
Building and improvements	10-40 years	9,443,179
Furniture, vehicles and equipment	3-10 years	5,107,975
Total cost		16,402,787
Less accumulated depreciation		(5,364,204)
Net land, building and equipment		\$ 11,038,583

The Organization recognized depreciation expense of \$788,688 during the year ended June 30, 2017.

Note 4 - 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% 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 5% 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 6% 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 loaned \$8,785,700 to UFB NMTC Investment Fund, 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.

The Foundation then used the funds to acquire inventory, property, and equipment from the Food Bank for \$10,384,365. With the assets acquired, the Foundation was designated as a Community Development Entity and operated 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. This option was exercised during the year ended June 30, 2017, which allowed the Food Bank to re-acquire the assets purchased by the Foundation and to cancel the note receivable and the notes payable mentioned above. The cancellation of the notes payable, net of the cancellation of the note receivable and the transaction price resulted in a gain of \$2,358,150. The gain is included within Interest Income and Other on the consolidated statement of activities.

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 consists of the following:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 134,059
Restricted by donors for	
Building improvements	16,205
Website upgrade	11,260
Food purchases	10,150
Mobile school pantry	228,299
Virtual food drive	8,211
Human race event	3,000
Other	6,279
Other time restrictions (proceeds are not restricted by donors)	30,000
	\$ 447,463

Note 6 - 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 \$161,451 for the plan year ended June 30, 2017. See also Note 9.

Note 7 - Supplemental Cash Flow Information

Cash paid for interest was \$116,165 for the year ended June 30, 2017.

Note 8 - Related Party Transactions

The Organization makes regular food purchases from various suppliers. One of the Organization's board members is affiliated with a food suppliers from which the Organization purchases food. During the year ended June 30, 2017, the Organization purchased \$23,442 in food from this supplier. To take advantage of discounted fuel prices during the year ended June 30, 2017, the Organization purchased \$179,932 of fuel through a shipping company of which one of the board members is the President. Another board member associated with the same shipping company donated shipping equipment valued at \$18,000. Another board member is associated with a financial institution which is holding cash deposits for the Organization.

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.

Note 9 - Contingencies

During the year ended June 30, 2017, the Organization's management became aware that there were certain provisions of the Organization's 403(b) employee benefit plan that the Organization had not been following correctly to calculate certain contributions. The Organization is in the process of formulating a plan to voluntarily correct these errors and/or to amend the employee benefit plan documents. The Organization has determined that a liability likely exists, related to previous fiscal years, with respect to additional plan contributions and/or penalties associated with this matter, and has estimated and recognized a contingent liability of \$326,053.