

FOOD BANK OF DELAWARE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2016 AND 2015

FOOD BANK OF DELAWARE, INC.

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WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Food Bank of Delaware, Inc.
Newark, Delaware

Report on Financial Statements

We have audited the accompanying statements of financial position of Food Bank of Delaware, Inc. which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 risk 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.

Auditor's Responsibility (Continued)

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 Food Bank of Delaware, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whisman, Fiordano & Associates LLC

October 14, 2016
Newark, Delaware

FOOD BANK OF DELAWARE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS		
	2016	2015
Current Assets		
Cash and cash equivalents	\$ 6,933,681	\$ 4,011,948
Accounts and grants receivable	666,098	468,507
Promises to give	-	21,500
Inventory	2,586,138	2,452,011
Prepaid expenses	234,799	5,467
Total current assets	10,420,716	6,959,433
Property and Equipment	4,199,061	4,496,173
Investments	-	2,314,621
TOTAL ASSETS	<u>\$ 14,619,777</u>	<u>\$ 13,770,227</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 329,242	\$ 307,823
Accrued payroll and related costs	104,573	109,446
Accrued vacation	49,553	48,796
Deferred revenue	29,492	84,182
Total liabilities (current)	512,860	550,247
Net Assets		
Unrestricted	13,961,008	12,942,203
Temporarily restricted	145,909	277,777
Total net assets	<u>14,106,917</u>	<u>13,219,980</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,619,777</u>	<u>\$ 13,770,227</u>

See accompanying notes to financial statements.

FOOD BANK OF DELAWARE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Public Support			
Contributions	\$ 3,321,542	\$ 1,002,789	\$ 4,324,331
Contributions - donated product	13,488,905	-	13,488,905
Contributions - capital campaign	-	100,000	100,000
Fees and grants from government agencies	205,620	1,866,955	2,072,575
Total public support	17,016,067	2,969,744	19,985,811
Revenue			
Food sales	359,601	-	359,601
Shared maintenance	208,685	-	208,685
Shoppers choice	35,595	-	35,595
Transporation	27,025	-	27,025
Membership dues	7,933	-	7,933
Interest income	26	-	26
Investment losses	(80,571)	-	(80,571)
Miscellaneous	23,174	-	23,174
Total revenue	581,468	-	581,468
Net assets released from restriction	3,101,612	(3,101,612)	-
TOTAL PUBLIC SUPPORT AND REVENUE	20,699,147	(131,868)	20,567,279
EXPENSES			
Program Services			
Food distribution	15,227,218	-	15,227,218
Community development	2,857,578	-	2,857,578
Total program services	18,084,796	-	18,084,796
Support Services			
General and adminisitrative	688,798	-	688,798
Fund raising	906,748	-	906,748
Total support services	1,595,546	-	1,595,546
TOTAL EXPENSES	19,680,342	-	19,680,342
CHANGE IN NET ASSETS	1,018,805	(131,868)	886,937
NET ASSETS - BEGINNING OF YEAR	12,942,203	277,777	13,219,980
NET ASSETS - END OF YEAR	\$ 13,961,008	\$ 145,909	\$ 14,106,917

See accompanying notes to financial statements.

FOOD BANK OF DELAWARE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVNUUE			
Public Support			
Contributions	\$ 3,244,546	\$ 1,147,322	\$ 4,391,868
Contributions - donated product	10,916,647	-	10,916,647
Contributions - capital campaign	-	50,000	50,000
Fees and grants from government agencies	205,620	1,809,637	2,015,257
Total public support	14,366,813	3,006,959	17,373,772
Revenue			
Food sales	386,521	-	386,521
Shared maintenance	191,676	-	191,676
Shoppers choice	53,921	-	53,921
Transporation	32,491	-	32,491
Membership dues	8,034	-	8,034
Interest income	82	-	82
Investment losses	(13,460)	-	(13,460)
Miscellaneous	46,952	-	46,952
Total revenue	706,217	-	706,217
Net assets released from restriction	2,893,573	(2,893,573)	-
TOTAL PUBLIC SUPPORT AND REVENUE	17,966,603	113,386	18,079,989
EXPENSES			
Program Services			
Food distribution	13,234,753	-	13,234,753
Community development	2,707,245	-	2,707,245
Total program services	15,941,998	-	15,941,998
Support Services			
General and adminisitrative	635,118	-	635,118
Fund raising	950,318	-	950,318
Total support services	1,585,436	-	1,585,436
TOTAL EXPENSES	17,527,434	-	17,527,434
CHANGE IN NET ASSETS	439,169	113,386	552,555
NET ASSETS - BEGINNING OF YEAR	12,503,034	164,391	12,667,425
NET ASSETS - END OF YEAR	\$ 12,942,203	\$ 277,777	\$ 13,219,980

See accompanying notes to financial statements.

FOOD BANK OF DELAWARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			Support Services			
	Food Distribution	Community Services	Total Program Services	General & Administration	Fund Raising	Total Support Services	Total Expenses
Personnel							
Salaries	\$ 502,882	\$ 1,261,561	\$ 1,764,443	\$ 314,833	\$ 316,828	\$ 631,661	\$ 2,396,104
Payroll taxes	37,599	92,557	130,156	23,732	23,514	47,246	177,402
Employee benefits	105,589	172,656	278,245	43,266	42,374	85,640	363,885
Total personnel	646,070	1,526,774	2,172,844	381,831	382,716	764,547	2,937,391
Professional fees	-	-	-	11,536	-	11,536	11,536
Association, conference dues	8,573	6,094	14,667	6,333	4,878	11,211	25,878
Copying, printing and advertising	24,681	17,734	42,415	10,523	448,569	459,092	501,507
Insurance	102,452	4,553	107,005	3,415	3,415	6,830	113,835
Rental of equipment	3,709	11,563	15,272	219	-	219	15,491
Postage and freight	2,317	431	2,748	6,598	9,024	15,622	18,370
Occupancy	64,019	3,672	67,691	148,977	1,300	150,277	217,968
Grant expense	267,358	-	267,358	-	-	-	267,358
Contract services	95,172	28,957	124,129	78,777	32,976	111,753	235,882
Food	13,504,910	938,317	14,443,227	-	-	-	14,443,227
Travel	2,373	61,095	63,468	9,430	2,071	11,501	74,969
Office and building supplies	37,298	132,665	169,963	11,916	6,032	17,948	187,911
Vehicle fuel and supplies	30,630	71,003	101,633	5,518	1,334	6,852	108,485
Vehicle repairs	25,919	-	25,919	-	-	-	25,919
Education supplies	-	36,422	36,422	-	708	708	37,130
Total expenses before depreciation	14,815,481	2,839,280	17,654,761	675,073	893,023	1,568,096	19,222,857
Depreciation	411,737	18,298	430,035	13,725	13,725	27,450	457,485
TOTAL EXPENSES	<u>\$ 15,227,218</u>	<u>\$ 2,857,578</u>	<u>\$ 18,084,796</u>	<u>\$ 688,798</u>	<u>\$ 906,748</u>	<u>\$ 1,595,546</u>	<u>\$ 19,680,342</u>

See accompanying notes to financial statements.

FOOD BANK OF DELAWARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services			Support Services			
	Food Distribution	Community Services	Total Program Services	General & Administration	Fund Raising	Total Support Services	Total Expenses
Personnel							
Salaries	\$ 496,693	\$ 1,162,353	\$ 1,659,046	\$ 262,147	\$ 341,222	\$ 603,369	\$ 2,262,415
Payroll taxes	36,774	85,876	122,650	24,477	25,308	49,785	172,435
Employee benefits	111,371	174,076	285,447	65,093	47,093	112,186	397,633
Total personnel	644,838	1,422,305	2,067,143	351,717	413,623	765,340	2,832,483
Professional fees	-	-	-	11,730	-	11,730	11,730
Association, conference dues	6,399	6,377	12,776	13,448	9,549	22,997	35,773
Copying, printing and advertising	4	7,392	7,396	9,015	417,226	426,241	433,637
Insurance	101,066	4,492	105,558	3,369	3,369	6,738	112,296
Rental of equipment	10,927	9,094	20,021	439	-	439	20,460
Postage and freight	3,995	337	4,332	14,286	1,390	15,676	20,008
Occupancy	78,524	2,450	80,974	130,917	1,250	132,167	213,141
Grant expense	234,191	-	234,191	-	-	-	234,191
Contract services	105,662	36,963	142,625	65,398	47,075	112,473	255,098
Food	11,531,362	861,609	12,392,971	-	27,192	27,192	12,420,163
Travel	1,765	68,151	69,916	6,271	2,356	8,627	78,543
Office and building supplies	48,970	157,935	206,905	10,249	7,229	17,478	224,383
Vehicle fuel and supplies	32,552	70,305	102,857	5,518	1,334	6,852	109,709
Vehicle repairs	54,613	-	54,613	-	-	-	54,613
Education supplies	-	42,952	42,952	98	6,062	6,160	49,112
Total expenses before depreciation	12,854,868	2,690,362	15,545,230	622,455	937,655	1,560,110	17,105,340
Depreciation	379,885	16,883	396,768	12,663	12,663	25,326	422,094
TOTAL EXPENSES	<u>\$ 13,234,753</u>	<u>\$ 2,707,245</u>	<u>\$ 15,941,998</u>	<u>\$ 635,118</u>	<u>\$ 950,318</u>	<u>\$ 1,585,436</u>	<u>\$ 17,527,434</u>

See accompanying notes to financial statements.

FOOD BANK OF DELAWARE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 886,937	\$ 552,555
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</i>		
Depreciation	457,485	422,094
Gain on disposal of property and equipment	-	(3,000)
Investment losses	80,571	13,460
Contributions restricted for capital investment	(100,000)	(50,000)
Donated property and equipment	(4,661)	(5,000)
<i>(Increase) decrease in assets</i>		
Accounts receivable	(197,591)	(99,098)
Inventory	(134,127)	(19,210)
Prepaid expense	(229,332)	36,507
Promises to give	21,500	11,138
<i>Increase (decrease) in liabilities</i>		
Accounts payable	21,419	(90,184)
Accrued payroll and related costs	(4,873)	40,004
Accrued vacation	757	(4,033)
Deferred revenue	(54,690)	27,178
Net cash provided by operating activities	743,395	832,411
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,470)	(30,565)
Withdrawal of investments	2,245,520	-
Disposal of property and equipment	-	64,476
Purchase of property and equipment	(155,712)	(664,210)
Net cash provided by (used for) investing activities	2,078,338	(630,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for capital investment	100,000	50,000
Net cash provided by financing activities	100,000	50,000
INCREASE IN CASH AND CASH EQUIVALENTS	2,921,733	252,112
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,011,948	3,759,836
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,933,681	\$ 4,011,948
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY:		
Donated property and equipment	\$ 4,661	\$ 5,000

See accompanying notes to financial statements.

FOOD BANK OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Food Bank of Delaware, Inc. (the Entity) is a nonprofit organization, whose mission is a community free from hunger. The Entity strives to minimize hunger, primarily in Delaware, by: providing low-cost and no-cost food and other products to qualified organizations, informing the community about hunger issues, and mobilizing support for anti-hunger efforts. It is governed by an uncompensated volunteer board which oversees the activities of the Entity.

The programs currently operated by the Food Bank of Delaware, Inc. are as follows:

- The Food Distribution Program maintains food and related products obtained through donations, which are then made available to qualified member agencies for a shared maintenance fee.
- The Community Development Program assists new and current member agencies in maximizing the benefits the Food Bank offers in low-cost and no-cost food and in developing and operating hunger prevention programs, as well as collecting information on hunger and anti-hunger programs, partnering with community organizations, legislators and citizens interested in hunger prevention efforts.

Financial Statement Presentation

The entity adheres to ASC 958, "*Financial Statement of Not-For-Profit Entities.*" Under ASC 958, the entity is required to report information regarding its financial position and its activities as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Net Assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted - Net Assets whose use by the entity is subject to donor-imposed stipulations that can be fulfilled by actions of the entity pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted - Net Assets subject to donor-imposed stipulations such that they be maintained in perpetuity. There are no permanently restricted assets at June 30, 2016.

FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Applicable Financial Reporting Framework

The financial position and results of activities of Food Bank of Delaware, Inc. have been reported on an acceptable applicable financial reporting framework. The applicable financial reporting framework used by Food Bank of Delaware, Inc. is U.S. generally accepted accounting principles (GAAP). Under this financial reporting framework, revenues are recognized in the period when earned and expenses are recorded when a liability is incurred.

Pervasiveness of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Changes in estimates are recorded in the period identified. Accounting measurements that are most affected by management's estimates of future events include the realization of accounts receivable, the fair value of inventory, the useful lives selected for depreciating property and equipment, the fair value of investments, and the timing of the recognition of certain revenue.

Management does not believe that any of its estimates involve assumptions that are highly uncertain or that different, reasonable estimates, or changes in accounting estimates that are reasonably likely to occur, would have a material impact on the financial statements. To the extent there are material differences between management's estimates and actual results, future results of operations will be affected.

Cash and Cash Equivalents

The Entity considers all highly liquid investments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents. All other highly liquid instruments which are to be used for the long-term purposes are classified as investments.

FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Purchased inventory is recorded at cost. Donated inventory is recorded at the estimated wholesale value determined by Feeding America.

Inventory consists of the following:

	2016	2015
Donated Products	\$ 2,365,836	\$ 2,077,026
Purchased Products	220,302	374,985
Total Inventory	<u>\$ 2,586,138</u>	<u>\$ 2,452,011</u>

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred; costs of renewals and betterments are capitalized. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities.

Depreciation is computed using the straight-line method based upon the estimated useful life of the related assets. The useful lives for purposes of computing depreciation on property and equipment ranges from three to seven years.

Revenue Recognition – Restricted and Unrestricted Support

The Entity adheres to ASC 958-605, *Not for Profit Entities Revenue Recognition*, in recording contributions received. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and, if applicable, the nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

FOOD BANK OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The Entity has recorded a vacation accrual in the amount of \$49,553 and \$48,796 for the years ended June 30, 2016 and 2015, respectively.

Allocation of Expenses

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

Advertising

The Entity expenses the costs of advertising when incurred.

Income Taxes

Food Bank of Delaware, Inc. is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore no provision for income taxes has been made in the financial statements. In addition, the entity has been classified as one that is not a private foundation within the meaning of Section 509 (a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Although the entity is not subject to federal and state income taxes, the entity is required to adhere to Accounting Standards Codification (ASC) 740, "*Accounting for Income Taxes*", which applies to all entities including those that are tax exempt under 501(c)(3). ASC 740 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. ASC 740 prescribes a comprehensive model for the financial statements recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns.

Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if the respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the June 30, 2013, 2014 and 2015 tax years are open and subject to examination by the Internal Revenue Service. However, the entity is not currently under audit nor has the entity been contacted by this jurisdiction. Any interest and penalties related to income taxes would be recorded as income tax expense. There are no interest and penalties as of June 30, 2016 and 2015.

FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS

Financial instruments which potentially subject the Entity to significant concentrations of credit risk are principally cash deposits. Cash deposits are maintained in highly rated financial institutions. Generally, accounts at such institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances may exceed the federally insured limit at various times during the year. Management continually monitors the financial strength of the institutions and the quality of its investments.

NOTE C - PROMISES TO GIVE

The promises to give balance as of June 30, 2016 and 2015 amounted to \$0 and \$21,500, respectively. All promises to give as of June 2016 were collected during the year and there were no new promises made.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment is as follows:

	2016	2015
Land and land improvements	\$ 216,201	\$ 216,201
Building and improvements	6,352,673	6,317,611
Trucks and trailers	1,296,021	1,236,826
Warehouse equipment	521,409	521,409
Computers	201,483	188,300
Furniture and fixtures	264,011	252,216
Construction in progress	41,138	-
	<u>8,892,936</u>	<u>8,732,563</u>
Less: Accumulated depreciation	<u>4,693,875</u>	<u>4,236,390</u>
	<u><u>\$ 4,199,061</u></u>	<u><u>\$ 4,496,173</u></u>

NOTE E - BOARD DESIGNATED FUND

The Entity had board designated funds at the Delaware Community Foundation. Such funds were included in unrestricted net assets. The value of the fund at June 30, 2016 and 2015 amounted to \$0 and \$2,248,027, respectively. All the board designated funds at the Delaware Community Foundation were withdrawn and transferred to the operating account of the entity during the year ended June 30, 2016.

FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F - FAIR VALUE MEASUREMENTS

The entity adheres to ASC 820, "*Fair Value Measurements*" ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, ASC 820 establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds, debt and equity securities that are traded in active exchange market, as well as certain U.S. Treasury and other U.S. Government agencies that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The valuation methodologies used for assets measured at fair value may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, although the management of the Entity believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FOOD BANK OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F - FAIR VALUE MEASUREMENTS (CONTINUED)

The table below presents the financial instruments carried at fair value as of June 30, 2016 and 2015 by the ASC 820 valuation hierarchy defined above.

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<i>June 30, 2016</i>				
Stocks	\$ -	\$ -	\$ -	\$ -
Mutual funds	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <i>June 30, 2015</i>				
Stocks	\$ 66,594	\$ 66,594	\$ -	\$ -
Mutual funds	2,248,027	1,949,039	-	298,988
	<u>\$ 2,314,621</u>	<u>\$ 2,015,633</u>	<u>\$ -</u>	<u>\$ 298,988</u>

The following is a schedule of fair value measurements using unobservable inputs (Level 3):

Balance, June 30, 2014	\$ 439,063
Transfer from Level 1 Investments	(135,030)
Fees	(3,306)
Realized and unrealized losses	<u>(1,739)</u>
Balance, June 30, 2015	298,988
Fees	(2,533)
Realized and unrealized losses	(8,183)
Withdrawal of investments.	<u>(288,272)</u>
Balance, June 30, 2016	<u>\$ -</u>

FOOD BANK OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2016 and 2015 temporarily restricted net assets were available for the following:

	<u>2016</u>	<u>2015</u>
Mobile Pantry	\$ 40,000	\$ 19,571
Member Agencies	69,385	134,720
School Pantry	36,524	56,477
The Culinary School	<u>-</u>	<u>67,009</u>
	<u>\$ 145,909</u>	<u>\$ 277,777</u>

NOTE H - NATIONAL AFFILIATIONS

The Entity is an affiliate of and accredited by Feeding America, the National Food Bank Network. Membership dues paid to Feeding America are based on pounds of Feeding America solicited product received and amounted to \$7,531 and \$7,932 for the years ended June 30, 2016 and 2015.

NOTE I - PENSION PLAN

The Entity has a Simple Retirement Plan for all full-time employees who have at least one year of service. The Entity contributes up to three percent of wages for participating, eligible employees. Employer contributions for the years ended June 30, 2016 and 2015 amounted to \$51,414 and \$49,013 respectively.

NOTE J - LEASES

The Entity leases certain equipment under various operating arrangements. Total rent expense for the year ended June 30, 2016 and 2015 amounted to \$15,491 and \$20,460, respectively.

Future minimum lease payments are as follows:

<u>June 30</u>	<u>Amount</u>
2017	\$ 8,511
2018	6,216
2019	<u>880</u>
	<u>\$ 15,607</u>

FOOD BANK OF DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE K - SUBSEQUENT EVENTS

The following are the significant subsequent events noted after June 30, 2016:

- a) In July 2016, the Entity purchased a property of approximately \$4.5 million dollars located at 222 Lake Drive, Newark, Delaware 19702. The property will be used for the construction of a new office space and warehouse facilities of the Entity. The construction of the property is estimated to be between \$6 million to \$7 million dollars and expected to be funded by the operating funds, capital campaign contributions and if necessary by a construction loan from a local bank.
- b) In July 2016, the Entity secured a revolving line of credit from a local bank for \$500,000 which expires on February 1, 2018. Any outstanding line of credit is subject to interest equal to the LIBOR daily floating rate plus 1.35 percentage points. The line of credit is secured by equipment and fixtures, inventory and receivables owned by the Entity.

Management has reviewed and evaluated all other subsequent events through October 14, 2016, the date the financial statements were available to be issued and has determined there were no matters that require adjustment to or disclosure in the June 30, 2016 financial statements.