

FOOD BANK OF DELAWARE, INC.

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

FOOD BANK OF DELAWARE, INC.

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## 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, 2018 and 2017, 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, 2018 and 2017, 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 Giordano & Associates, LLC*

October 18, 2018  
Newark, Delaware

FOOD BANK OF DELAWARE, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 7,652,974	\$ 5,038,456
Accounts and grants receivable	346,807	612,565
Promises to give - current	144,485	43,333
Inventory	2,562,624	2,430,380
Prepaid expenses	739	9,128
	10,707,629	8,133,862
Property and Equipment	10,625,540	8,878,001
Promises to give - long-term	155,997	59,595
	155,997	59,595
TOTAL ASSETS	\$ 21,489,166	\$ 17,071,458

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 1,519,321	\$ 353,976
Accrued payroll and related costs	105,376	113,079
Accrued vacation	69,849	71,242
Deferred revenue	-	17,000
	1,694,546	555,297
Total liabilities (current)	1,694,546	555,297
Net Assets		
Unrestricted	17,683,997	15,402,181
Temporarily restricted	2,110,623	1,113,980
	19,794,620	16,516,161
Total net assets	19,794,620	16,516,161
TOTAL LIABILITIES AND NET ASSETS	\$ 21,489,166	\$ 17,071,458

*See accompanying notes to financial statements.*

FOOD BANK OF DELAWARE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
<b>Public Support</b>			
Contributions	\$ 3,285,783	\$ 1,353,558	\$ 4,639,341
Contributions - donated product	11,743,885	-	11,743,885
Contributions - capital campaign	-	2,675,741	2,675,741
Fees and grants from government agencies	164,496	2,012,086	2,176,582
<b>Total public support</b>	<b>15,194,164</b>	<b>6,041,385</b>	<b>21,235,549</b>
<b>Revenue</b>			
Food sales	439,467	-	439,467
Shared maintenance	118,738	-	118,738
Shoppers choice	22,975	-	22,975
Transporation	34,062	-	34,062
Membership dues	6,933	-	6,933
Interest income	1,115	-	1,115
Investment income	170	-	170
Miscellaneous	81,439	-	81,439
<b>Total revenue</b>	<b>704,899</b>	<b>-</b>	<b>704,899</b>
Net assets released from restriction	5,044,742	(5,044,742)	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>20,943,805</b>	<b>996,643</b>	<b>21,940,448</b>
<b>EXPENSES</b>			
<b>Program Services</b>			
Food distribution	14,220,425	-	14,220,425
Community development	2,779,609	-	2,779,609
<b>Total program services</b>	<b>17,000,034</b>	<b>-</b>	<b>17,000,034</b>
<b>Support Services</b>			
General and adminisitrative	742,333	-	742,333
Fund raising	919,622	-	919,622
<b>Total support services</b>	<b>1,661,955</b>	<b>-</b>	<b>1,661,955</b>
<b>TOTAL EXPENSES</b>	<b>18,661,989</b>	<b>-</b>	<b>18,661,989</b>
<b>CHANGE IN NET ASSETS</b>	<b>2,281,816</b>	<b>996,643</b>	<b>3,278,459</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>15,402,181</b>	<b>1,113,980</b>	<b>16,516,161</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 17,683,997</b>	<b>\$ 2,110,623</b>	<b>\$ 19,794,620</b>

*See accompanying notes to financial statements.*

FOOD BANK OF DELAWARE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support			
Contributions	\$ 3,471,533	\$ 1,133,816	\$ 4,605,349
Contributions - donated product	13,148,349	-	13,148,349
Contributions - capital campaign	-	1,519,926	1,519,926
Fees and grants from government agencies	205,620	2,171,520	2,377,140
Total public support	16,825,502	4,825,262	21,650,764
Revenue			
Food sales	360,883	-	360,883
Shared maintenance	199,569	-	199,569
Shoppers choice	35,524	-	35,524
Transporation	30,296	-	30,296
Membership dues	7,575	-	7,575
Interest income	542	-	542
Investment losses	(232)	-	(232)
Miscellaneous	59,391	-	59,391
Total revenue	693,548	-	693,548
Net assets released from restriction	3,857,191	(3,857,191)	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>21,376,241</b>	<b>968,071</b>	<b>22,344,312</b>
<b>EXPENSES</b>			
Program Services			
Food distribution	15,358,592	-	15,358,592
Community development	2,825,270	-	2,825,270
Total program services	18,183,862	-	18,183,862
Support Services			
General and adminisitrative	795,617	-	795,617
Fund raising	955,589	-	955,589
Total support services	1,751,206	-	1,751,206
<b>TOTAL EXPENSES</b>	<b>19,935,068</b>	<b>-</b>	<b>19,935,068</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,441,173</b>	<b>968,071</b>	<b>2,409,244</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>13,961,008</b>	<b>145,909</b>	<b>14,106,917</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 15,402,181</b>	<b>\$ 1,113,980</b>	<b>\$ 16,516,161</b>

See accompanying notes to financial statements.

FOOD BANK OF DELAWARE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Support Services			Total Expenses
	Food Distribution	Community Services	Total Program Services	General & Administration	Fund Raising	Total Support Services	
Personnel							
Salaries	\$ 695,460	\$ 1,283,478	\$ 1,978,938	\$ 325,293	\$ 289,506	\$ 614,799	\$ 2,593,737
Payroll taxes	51,800	95,976	147,776	22,007	20,789	42,796	190,572
Employee benefits	116,999	198,831	315,830	71,124	36,617	107,741	423,571
Total personnel	864,259	1,578,285	2,442,544	418,424	346,912	765,336	3,207,880
Professional fees	-	-	-	15,282	-	15,282	15,282
Association, conference dues	9,462	2,843	12,305	4,344	1,987	6,331	18,636
Copying, printing and advertising	1,917	40,712	42,629	1,794	476,479	478,273	520,902
Insurance	134,915	5,996	140,911	4,497	4,498	8,995	149,906
Rental of equipment	7,387	4,364	11,751	3,442	-	3,442	15,193
Postage and freight	7,968	1,244	9,212	883	12,585	13,468	22,680
Occupancy	56,681	4,030	60,711	164,853	1,400	166,253	226,964
Grant expense	265,556	-	265,556	-	-	-	265,556
Contract services	103,096	30,058	133,154	94,478	50,873	145,351	278,505
Food	12,209,909	866,411	13,076,320	-	-	-	13,076,320
Travel	166	9,470	9,636	3,252	952	4,204	13,840
Office and building supplies	40,012	115,177	155,189	10,961	5,220	16,181	171,370
Vehicle fuel and supplies	30,641	81,483	112,124	5,518	1,334	6,852	118,976
Vehicle repairs	50,289	-	50,289	-	-	-	50,289
Education supplies	-	20,062	20,062	-	2,776	2,776	22,838
Total expenses before depreciation	13,782,258	2,760,135	16,542,393	727,728	905,016	1,632,744	18,175,137
Depreciation	438,167	19,474	457,641	14,605	14,606	29,211	486,852
TOTAL EXPENSES	\$ 14,220,425	\$ 2,779,609	\$ 17,000,034	\$ 742,333	\$ 919,622	\$ 1,661,955	\$ 18,661,989

See accompanying notes to financial statements.



FOOD BANK OF DELAWARE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services			Support Services			Total Expenses
	Food Distribution	Community Services	Total Program Services	General & Administration	Fund Raising	Total Support Services	
Personnel							
Salaries	\$ 565,863	\$ 1,297,443	\$ 1,863,306	\$ 383,962	\$ 299,178	\$ 683,140	\$ 2,546,446
Payroll taxes	41,577	95,756	137,333	26,457	22,137	48,594	185,927
Employee benefits	118,737	180,900	299,637	70,971	43,365	114,336	413,973
Total personnel	726,177	1,574,099	2,300,276	481,390	364,680	846,070	3,146,346
Professional fees	-	-	-	12,248	-	12,248	12,248
Association, conference dues	10,032	6,159	16,191	3,557	1,137	4,694	20,885
Copying, printing and advertising	12,973	39,332	52,305	5,005	498,323	503,328	555,633
Insurance	113,360	5,038	118,398	3,779	3,779	7,558	125,956
Rental of equipment	2,624	5,319	7,943	4,466	-	4,466	12,409
Postage and freight	16,933	1,084	18,017	836	13,927	14,763	32,780
Occupancy	69,623	3,735	73,358	188,801	1,107	189,908	263,266
Grant expense	281,236	-	281,236	-	-	-	281,236
Contract services	83,865	48,920	132,785	64,681	54,572	119,253	252,038
Food	13,596,924	873,617	14,470,541	-	-	-	14,470,541
Travel	-	5,710	5,710	4,818	1,012	5,830	11,540
Office and building supplies	40,118	145,644	185,762	9,772	4,708	14,480	200,242
Vehicle fuel and supplies	30,414	70,160	100,574	5,518	1,334	6,852	107,426
Vehicle repairs	51,931	-	51,931	-	-	-	51,931
Education supplies	-	32,125	32,125	-	264	264	32,389
Total expenses before depreciation	15,036,210	2,810,942	17,847,152	784,871	944,843	1,729,714	19,576,866
Depreciation	322,382	14,328	336,710	10,746	10,746	21,492	358,202
TOTAL EXPENSES	\$ 15,358,592	\$ 2,825,270	\$ 18,183,862	\$ 795,617	\$ 955,589	\$ 1,751,206	\$ 19,935,068

See accompanying notes to financial statements.

FOOD BANK OF DELAWARE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,278,459	\$ 2,409,244
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</i>		
Depreciation	486,852	358,202
Contributions restricted for capital investment	(2,675,741)	(1,519,928)
<i>(Increase) decrease in assets</i>		
Accounts receivable	265,758	53,533
Inventory	(132,244)	155,758
Prepaid expense	8,389	225,671
Promises to give	(197,554)	(102,928)
<i>Increase (decrease) in liabilities</i>		
Accounts payable	104,452	24,734
Accrued payroll and related costs	(7,703)	8,506
Accrued vacation	(1,393)	21,689
Deferred revenue	(17,000)	(12,492)
Net cash provided by operating activities	1,112,275	1,621,989
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,173,498)	(5,037,142)
Net cash (used for) investing activities	(1,173,498)	(5,037,142)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for capital investment	2,675,741	1,519,928
Net cash provided by financing activities	2,675,741	1,519,928
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,614,518	(1,895,225)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,038,456	6,933,681
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 7,652,974	\$ 5,038,456
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITY:		
Construction in progress included in accounts payable	\$ 1,060,893	\$ -

*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, 2018.

FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Financial Reporting Framework*

The financial position and results of activities of Food Bank of Delaware, Inc. have been reported on an acceptable financial reporting framework. The 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, 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:

	2018	2017
Donated Products	\$ 2,306,332	\$ 2,222,611
Purchased Products	256,292	207,769
Total Inventory	\$ 2,562,624	\$ 2,430,380

*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 ten 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 \$69,849 and \$71,242 for the years ended June 30, 2018 and 2017, 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.

FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Income Taxes (Continued)*

Currently, the June 30, 2015, 2016, and 2017 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, 2018 and 2017.

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

Promises to give as of June 30, 2018, consisted of the following:

Promises to give - current portion	\$	144,485
Promises to give - restricted to future periods		165,108
		<hr/>
Unconditional promise to give before amortized discount		309,593
Unamortized discount		(9,111)
		<hr/>
Net unconditional promises to give	\$	<u><u>300,482</u></u>

Amounts due by:

June 30, 2018	\$	144,485
June 30, 2019		79,287
June 30, 2020		50,822
June 30, 2021		34,999
		<hr/>
Unconditional promise to give before amortized discount		309,593
Unamortized discount		(9,111)
		<hr/>
Net unconditional promises to give	\$	<u><u>300,482</u></u>

FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment is as follows:

	2018	2017
Land and land improvements	\$ 216,201	\$ 216,201
Building and improvements	6,413,993	6,362,923
Farm and farm equipment	303,733	-
Trucks and trailers	1,351,600	1,346,523
Warehouse equipment	329,584	546,465
Computers	147,988	207,862
Furniture and fixtures	286,123	280,134
Construction in progress	6,766,897	4,969,969
	15,816,119	13,930,077
Less: Accumulated depreciation	5,190,579	5,052,076
	\$ 10,625,540	\$ 8,878,001

The construction of a new office space and warehouse facilities of the Entity commenced during the year ended June 30, 2017. The construction is expected to be completed in the first quarter of 2019 with a total cost of approximately \$15 million. See Note I for the construction loan facility related to this construction. The construction is also funded by capital campaign contributions (Note E).

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017 temporarily restricted net assets were available for the following:

	2018	2017
Capital Campaign	\$ 1,905,097	\$ 1,026,284
Member Agencies	170,318	36,951
School Pantry	31,841	1,971
Culinary School	3,367	27,245
Mobile Pantry	-	21,529
	\$ 2,110,623	\$ 1,113,980



FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F - NATIONAL AFFILIATION

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 \$7,892 and \$7,640 for the years ended June 30, 2018 and 2017.

NOTE G - 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, 2018 and 2017 amounted to \$55,359 and \$52,410 respectively.

NOTE H - LEASES

The Entity leases certain equipment under various operating arrangements. Total rent expense for the years ended June 30, 2018 and 2017 amounted to \$15,193 and \$12,409, respectively.

The future minimum lease payments amount to \$880 as of June 30, 2018.

NOTE I - CREDIT FACILITY AND CONSTRUCTION LOAN FACILITY

On July 20, 2016, the Entity obtained a credit facility with a bank for five hundred thousand dollars (\$500,000) which is available until February 1, 2019. The credit facility is collateralized by certain equipment and fixtures, inventory and receivables by the Entity. The facility bears interest a financing rate equal to the LIBOR Daily Floating Rate plus 1.35 percentage points. As of June 30, 2018 and 2017, there were no advances made by the Entity from the credit facility.

On May 31, 2018, the Entity entered into a construction loan agreement with a bank. The bank agrees to advance up to four million dollars (\$4,000,000) to be used by the Entity in the ongoing construction of office and warehouse facilities on its real property located in Newark, Delaware. The loan is available during the period commencing on the date of the loan agreement and ending on November 30, 2019 (construction period). The loan is collateralized by the property of the Entity as defined in the agreement. The loan bears a financing rate equal to the LIBOR Daily Floating Rate plus 1.35 percentage points. The loan is due and payable in full on November 30, 2019. However, if on or before November 30, 2019, the Entity satisfies all the terms and conditions of the loan agreement, the Entity may choose to repay the loan in monthly amortizing payments during from December 1, 2019 to November 30, 2026. As of June 30, 2018, there were no advances made by the Entity from the construction loan facility.

FOOD BANK OF DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE J - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued new guidance on Leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. In July 2018, the FASB issued ASU 2018-11: *Targeted Improvements*, which addresses certain transition and implementation issues regarding implementation of the new lease standards, including, among other things the comparative reports requirements on initial adoption. This pronouncement allows an entity the option of a modified retrospective or a cumulative effect transition approach.

Management is currently evaluating the impact of its adoption of the new standard, which includes compiling a list of all contracts that meet the definition of a lease under the new standard and determine the proper classification and accounting treatment to determine the ultimate impact the new standard will have on the combined financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 *Presentation of financial Statements of Not-for-Profit Entities*. This guidance affects substantially all not-for-profit entities and is effective for years beginning after December 15, 2017. The core principle of this Update changes current GAAP in different ways. Some amendments will improve the usefulness of information provided to donors, grantors, creditors, and other users of financial statements, reduce complexities or costs for preparers of such financial statements, or in certain situations accomplish both.

The new standard requires several changes in the presentation of financial position and the statement of activities with respect to “*Net Assets with Donor Restrictions*” and “*Net Assets without Donor Restrictions*”, as well as enhanced disclosures about board designations, the composition of net assets with donor restrictions, qualitative information about how the entity communicates the management of its liquid resources available to meet cash needs for general purposes, expenses by their natural classification and their functional classification and the method used to allocate costs among program and support functions.

Further, there are new requirements with respect to reporting investment returns and the approach for reporting expirations of restrictions on certain gifts to be used for long-lived assets. Finally, there are certain required disclosures on underwater endowment funds.

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NOTES TO FINANCIAL STATEMENTS

NOTE K - SUBSEQUENT EVENTS

On July 24, 2018 the Entity sold the land and building where its offices and warehouses are located at 14 Garfield Way, Newark, Delaware for \$1,580,588 with a gain on sale of the properties of approximately \$769,000.

On the same date, the Entity simultaneously entered into an agreement with the new owner to lease the properties until January 23, 2019 for \$12,338 per month. The Entity had the option of extending the term of the lease by up to two additional periods of sixty days each by giving fifteen days written notice of intent to extend the term of the lease.

Management has reviewed and evaluated all other subsequent events through October 18, 2018, 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, 2018 financial statements.