

**The Food Group**  
New Hope, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
September 30, 2016 and 2015



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter Evert & Associates

Independent Auditor's Report

Board of Directors  
The Food Group  
New Hope, Minnesota

Certified Public Accountants  
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435  
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We have audited the accompanying financial statements of The Food Group as of September 30, 2016 and 2015, which comprise the statements of financial position and the related statements of activities and changes in net assets, functional expense, 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 from 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Group as of September 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.

*Carpenter Evert and Associates, LTD.*  
Certified Public Accountants

Minneapolis, Minnesota  
January 25, 2017

THE FOOD GROUP

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue:						
Contributions	\$ 1,825,674	\$ 130,000	\$ 1,955,674	\$ 1,869,892	\$ 68,000	\$ 1,937,892
In-Kind Contributions	3,399,742	-	3,399,742	2,192,505	-	2,192,505
United Way	163,980	-	163,980	165,022	-	165,022
Government Grants	689,469	-	689,469	345,990	-	345,990
Sales Revenue	3,599,899	-	3,599,899	3,456,685	-	3,456,685
Special Event (Net of Direct Expense of \$65,133 in 2016 and \$40,920 in 2015)	86,243	-	86,243	84,009	-	84,009
Investment Income	287	-	287	315	-	315
Miscellaneous	13,022	-	13,022	8,696	-	8,696
Net Assets Released from Restrictions:						
Satisfaction of Time Restrictions	53,250	(53,250)	-	-	-	-
Satisfaction of Capital Restrictions	-	-	-	12,000	(12,000)	-
Satisfaction of Program Restrictions	-	-	-	65,000	(65,000)	-
Total Support and Revenue	9,831,566	76,750	9,908,316	8,200,114	(9,000)	8,191,114
Expense:						
Program Services	8,577,131	-	8,577,131	7,217,156	-	7,217,156
Support Services:						
Management and General	412,384	-	412,384	362,576	-	362,576
Fundraising	396,772	-	396,772	429,671	-	429,671
Total Support Services	809,156	-	809,156	792,247	-	792,247
Total Expense	9,386,287	-	9,386,287	8,009,403	-	8,009,403
Change in Net Assets	445,279	76,750	522,029	190,711	(9,000)	181,711
Net Assets - Beginning of Year	2,832,643	56,000	2,888,643	2,641,932	65,000	2,706,932
Net Assets - End of Year	\$ 3,277,922	\$ 132,750	\$ 3,410,672	\$ 2,832,643	\$ 56,000	\$ 2,888,643

The accompanying Notes to Financial Statements are an integral part of these statements.

THE FOOD GROUP  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

	2016				2015	
	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 1,146,889	\$ 80,327	\$ 200,817	\$ 281,144	\$ 1,428,033	\$ 1,286,320
Employee Benefits	172,838	12,105	30,264	42,369	215,207	171,880
Payroll Taxes	133,364	9,341	23,352	32,693	166,057	151,582
Total Personnel Costs	<u>1,453,091</u>	<u>101,773</u>	<u>254,433</u>	<u>356,206</u>	<u>1,809,297</u>	<u>1,609,782</u>
Food Costs	3,345,556	-	-	-	3,345,556	3,232,694
In-Kind Food	3,079,461	-	-	-	3,079,461	2,111,685
Professional Fees	30,073	255,419	750	256,169	286,242	213,880
Occupancy	186,168	9,643	24,107	33,750	219,918	236,484
Office Expenses	60,215	12,459	82,351	94,810	155,025	161,322
Travel, Transportation and Shipping	122,477	1,022	1,122	2,144	124,621	113,055
Miscellaneous	32,853	10,071	25,392	35,463	68,316	67,954
Program Supplies	68,196	-	-	-	68,196	49,768
Non-food In-kind Expenses	58,128	-	-	-	58,128	46,869
Staff and Volunteer	9,067	17,436	4,649	22,085	31,152	25,259
Fundraising Expense	-	-	2,171	2,171	2,171	2,650
Depreciation and Amortization	131,846	4,561	1,797	6,358	138,204	138,001
Total Expense	<u>\$ 8,577,131</u>	<u>\$ 412,384</u>	<u>\$ 396,772</u>	<u>\$ 809,156</u>	<u>\$ 9,386,287</u>	<u>\$ 8,009,403</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

EXHIBIT C

THE FOOD GROUP  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Support Services				
	Program Services	Management & General	Fund- raising	Total Support Services	Total All Services
Salaries	\$ 1,001,976	\$ 81,241	\$ 203,103	\$ 284,344	\$ 1,286,320
Employee Benefits	133,885	10,856	27,139	37,995	171,880
Payroll Taxes	118,074	9,574	23,934	33,508	151,582
Total Personnel Costs	<u>1,253,935</u>	<u>101,671</u>	<u>254,176</u>	<u>355,847</u>	<u>1,609,782</u>
Food Costs	3,232,694	-	-	-	3,232,694
In-Kind Food	2,111,685	-	-	-	2,111,685
Professional Fees	1,250	203,631	8,999	212,630	213,880
Occupancy	192,383	12,600	31,501	44,101	236,484
Office Expenses	50,601	11,359	99,362	110,721	161,322
Travel, Transportation and Shipping	110,810	540	1,705	2,245	113,055
Miscellaneous	31,252	11,560	25,142	36,702	67,954
Program Supplies	49,768	-	-	-	49,768
Non-food In-kind Expenses	46,869	-	-	-	46,869
Staff and Volunteer	4,256	16,661	4,342	21,003	25,259
Fundraising Expense	-	-	2,650	2,650	2,650
Depreciation and Amortization	131,653	4,554	1,794	6,348	138,001
Total Expense	<u>\$ 7,217,156</u>	<u>\$ 362,576</u>	<u>\$ 429,671</u>	<u>\$ 792,247</u>	<u>\$ 8,009,403</u>

The accompanying Notes to Financial Statements  
are an integral part of this statement.

THE FOOD GROUP  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 986,839	\$ 453,705
Investments	5,651	1,907
Accounts Receivable	116,529	141,636
Grants Receivable	70,148	72,332
Prepaid Expense	28,897	28,866
Inventory	588,609	615,282
Total Current Assets	<u>1,796,673</u>	<u>1,313,728</u>
Property and Equipment - Net	2,988,558	3,066,191
Intangible Assets - Net	-	148
 TOTAL ASSETS	 <u>\$ 4,785,231</u>	 <u>\$ 4,380,067</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Notes Payable - Short Term	\$ 113,929	\$ 1,240,963
Accounts Payable	51,716	77,310
Accrued Salaries and Vacation	107,447	82,437
Accrued Expenses	17,566	17,978
Total Current Liabilities	<u>290,658</u>	<u>1,418,688</u>
Long-Term Liabilities:		
Notes Payable	<u>1,083,901</u>	<u>72,736</u>
Total Liabilities	<u>1,374,559</u>	<u>1,491,424</u>
Net Assets:		
Unrestricted	3,277,922	2,832,643
Temporarily Restricted	132,750	56,000
Total Net Assets	<u>3,410,672</u>	<u>2,888,643</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,785,231</u>	 <u>\$ 4,380,067</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

THE FOOD GROUP  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

<u>Increase (Decrease) in Cash</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 522,029	\$ 181,711
Total Adjustments	166,322	(66,305)
Net Cash Provided by Operating Activities	<u>688,351</u>	<u>115,406</u>
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(56,244)	(27,776)
Proceeds from Sale of Property and Equipment	17,000	-
Purchases of Investments	(3,843)	(11,250)
Proceeds from Sale of Contributed Investments	<u>3,739</u>	<u>51,250</u>
Net Cash Provided (Used) by Investing Activities	(39,348)	12,224
Cash Flows from Financing Activities:		
Repayment of Note Payable	<u>(115,869)</u>	<u>(144,234)</u>
Net Cash (Used) by Financing Activities	<u>(115,869)</u>	<u>(144,234)</u>
Net Increase (Decrease) in Cash	533,134	(16,604)
Cash - Beginning of Year	<u>453,705</u>	<u>470,309</u>
Cash - End of Year	<u>\$ 986,839</u>	<u>\$ 453,705</u>

Supplemental Disclosure of Cash Flow Information

Cash Paid for:		
Interest	<u>\$ 44,742</u>	<u>\$ 63,670</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.



THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

1. Summary of Significant Accounting Policies

Organizational Purpose

The Food Group (the Organization) is a nonprofit organization incorporated under the laws of the state of Minnesota. The mission of the organization is: Fighting Hunger. Nourishing our Community. The organization provides services primarily through the following programs:

*Food Shelf and Meal Program Support*

Bulk Food Program

The Organization buys food staples and hygiene items in bulk and partner agencies can order weekly at below retail cost. Bulk purchasing offerings include fresh produce, frozen meats, culturally specific food items, and other necessities. The Organization is committed to offering quality food items with a focus on nutrition. The Organization is also the official TEFAP (The Emergency Food Assistance Program) distributor for Hennepin County.

Nutritional Outreach

The Organization has a full time registered dietitian on staff who provides nutrition education and consulting to partner agencies and the people they serve. These services include recipe creation, food demonstrations, product merchandising, and technical support in creating healthy food policies. The dietitian also provides nutritional analysis to all of the Organization's programs.

Cultural Equity Programs

The Organization champions cultural equity in hunger relief across Minnesota, leading all hunger relief agencies to be welcoming, inclusive, and dignified resources for all members of the community. The Organization works with agency partners to distribute culturally appropriate food to our diverse communities. In addition, its Cultural Equity programming assists partner organizations in assessment and improvement efforts to better serve their clients.

*Direct Service Programs*

Fare For All

The Fare For All program purchases fruits, vegetables and frozen meat in bulk to provide balanced, nutritious options at 37 sites across the metro. By buying in bulk, food is available at up to 40% off grocery store prices. Community-supported and open to everyone, Fare for All's structure means the more people who participate, the more buying power it has, which lowers the overall price for the customer.

THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued):

Kid Pack

The Organization partners with schools, faith organizations, and other community groups to provide small packages of food that school aged kids can take home over the weekend. For many students who qualify for free lunch at school, finding enough food to get through the weekend can be a real challenge. The Organization's dietician helps ensure that each kid pack contains a good balance of protein, dairy, fruit, vegetable, and whole grain snacks to give children the nutrients they need to be successful.

Mobile Food Shelf

A significant number of low-income individuals and families have trouble accessing emergency food from traditional food shelves due to lack of transportation, limited mobility, social stigma, or cultural reservations. The Organization's Mobile Foodshelf is a partnership with public and subsidized housing complexes. The program delivers a three-to-four day supply of free supplemental food directly to housing complexes in the Twin Cities.

*Fresh Produce Programs*

Fruits of the City, Farm and Garden Gleaning, and The Food Group Farm

Helping communities grow and harvest fresh, local produce for those in need. There are thousands of fruit trees growing in backyards and orchards throughout Minnesota. Many of these trees produce more fruit than their owners can manage to pick, eat, preserve, or sell. Fruits of the City makes use of this fresh fruit, which would have otherwise gone to waste, and shares it with those in need. The Organization matches teams of trained volunteer gleaners with local fruit tree owners to harvest surplus fruit for its network of partner food shelf agencies. The Food Group Farm is a demonstration project showing the ability to grow a significant amount of produce in a small (less than 2 acres) area.

Harvest For The Hungry

Many Minnesota families cannot afford fresh, locally grown produce. The Organization's Harvest for the Hungry program purchases produce from Minnesota and Western Wisconsin farmers, donating the fruit and vegetables to our network of food shelves, on-site meal programs, and hunger relief agencies. Harvest For The Hungry supports local farmers, offering them a secondary market, and local food shelves, providing top quality produce free of charge.

Produce Rescue

The Organization accomplishes this in a couple of ways. At the Minneapolis Farmers Market, surplus produce is collected from farmers, vendors, and customers to distribute to food shelves and meal programs in the Twin Cities metro area. The Organization also works with organizations based in Arizona and Washington to rescue produce that might otherwise go into landfills. All of this produce goes to its partner organizations for free.

THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued):

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization and its resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations

Investments

The Organization carries its investments at fair value.

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as receivables are considered collectable.

Inventory

Inventory consists of canned, frozen and fresh foods and hygiene products used in various programs. Inventory is valued at the average cost, determined on a first-in first-out basis (FIFO).

Property and Equipment

All major expenditures for property and equipment over \$2,500 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued):

Intangible Assets

Purchased intangible assets are stated at cost less accumulated amortization. Amortization is computed using straight-line method over the economic lives of the respective assets, generally 7-10 years.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the same period in which case the contribution is shown as unrestricted.

Contributions other than cash are recorded at their estimated market value.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Salaries and related expenses are recorded in programs based on time and activity reports. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, The Organization annually files an Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending September 30, 2013 and later remain subject to examination by the Internal Revenue Service.

THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued):

Use 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through January 25, 2017, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

The Organization provides services within Minnesota. Grants and contributions receivable are from local governments or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At September 30, 2016 and 2015, the Organization held funds at a local financial institution in excess of federally insured limits.

3. Investments

The Organization held the following investments as of:

	September 30,			
	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 5,651	\$ 5,651	\$ 1,907	\$ 1,907

The Organization had realized losses of \$100 and \$70 and investment income of \$386 and \$385 for the years ending September 30, 2016 and 2015, respectively.

THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

4. Fair Value

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures (ASC 820). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair values of the investments at:

September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	<u>\$ 5,651</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,651</u>

September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	<u>\$ 1,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,907</u>

5. Grants Receivable

The outstanding balance of grants receivable at September 30, 2016 is expected to be collected over the following fiscal years:

<u>Due in the Year Ending September 30,</u>	
2017	<u>\$ 70,148</u>

THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

6. Property and Equipment

The Organization owned the following as of:

	<u>September 30,</u>		<u>Estimated Useful Lives</u>
	<u>2016</u>	<u>2015</u>	
Land	\$ 1,115,960	\$1,108,561	
Buildings and Building Improvements	2,469,937	2,469,937	5-39 years
Furniture and Equipment	607,022	549,080	5 years
Vehicles	<u>364,693</u>	<u>565,681</u>	5 years
	4,557,612	4,693,259	
Less Accumulated Depreciation	<u>1,569,054</u>	<u>1,627,068</u>	
	<u>\$ 2,988,558</u>	<u>\$ 3,066,191</u>	

Depreciation expense of \$138,056 and \$136,229 was recorded for the years ended September 30, 2016 and 2015, respectively.

7. Intangible Assets

The Organization owned the following as of:

	<u>September 30,</u>		<u>Estimated Useful Lives</u>
	<u>2016</u>	<u>2015</u>	
Loan Closing Costs	\$ 11,035	\$ 11,035	7-10 years
Less Accumulated Amortization	<u>11,035</u>	<u>10,887</u>	
	<u>\$ -</u>	<u>\$ 148</u>	

Amortization expense of \$148 and \$1,772 was recorded for the years ended September 30, 2016 and 2015, respectively.

8. Line of Credit

The Organization maintains a \$200,000 line-of-credit with MidWestOne Bank, maturing March 14, 2018. The interest rate at September 30, 2016 was 5%. Line-of-credit was not used and had no balance for both years ended September 30, 2016 and 2015. Secured by land and building.

THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

9. Notes Payable

The breakdown of notes payable is as follows:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
3.45% mortgage payable to Central Bank. Payable in monthly amounts of \$10,111 including interest with the last payment due October 2025. Secured by land and building.	\$ 943,271	\$ 1,031,743
3.45% mortgage payable on demand to Central Bank. If no demand is made, mortgage is payable in monthly amounts of \$1,942 including interest with the last payment due October 2025. Secured by land and building.	181,823	196,336
4% note payable to St. Paul Port Authority. Payable in monthly amounts of \$1,340 including interest with the last payment due October 1, 2021. Secured by purchased equipment.	<u>72,736</u>	<u>85,620</u>
	1,197,830	1,313,699
Less Portion Due Within One (1) Year	<u>113,929</u>	<u>1,240,963</u>
Long-term Portion	<u>\$ 1,083,901</u>	<u>\$ 72,736</u>

Principal payments required are as follows:

<u>Due in the Year Ending September 30,</u>	
2017	113,929
2018	124,782
2019	119,845
2020	133,889
2021 and thereafter	<u>705,385</u>
Total	<u>\$ 1,197,830</u>



THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

10. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following as of:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Measuring the Healthful	\$ 90,000	\$ -
Fresh Produce Program	30,000	-
General Operations	10,000	-
Kid Pack	2,750	16,000
Lost Harvest	-	40,000
	<u>\$ 132,750</u>	<u>\$ 56,000</u>

11. In-kind Contributions

The Organization records in-kind contributions at fair market value at date of donation. In kind contributions include the following as of:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Foods	\$ 3,326,802	\$ 2,111,685
Non-Food Items	<u>72,940</u>	<u>80,820</u>
	<u>\$ 3,399,742</u>	<u>\$ 2,192,505</u>

12. Pension Plan

The Organization contributes up to three percent of an eligible employee's annual compensation to a 401(k) plan. Contributions of \$31,808 and \$26,862 were made in the years ended September 30, 2016 and 2015, respectively.

THE FOOD GROUP  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015

13. Leased Vehicles

Rental commitments under noncancelable leases for vehicles in effect at September 30, 2016 total \$717,288. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2017	\$ 110,352
2018	110,352
2019	110,352
2020	110,352
2021	110,352
2022 and succeeding years	<u>165,528</u>
	<u>\$ 717,288</u>

Rental expense was \$57,509 and \$-0- for the years ended September 30, 2016 and 2015, respectively.

14. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>
Depreciation and Amortization	\$ 138,204	\$ 138,001
Contributed Securities	(3,739)	(11,319)
Donated Property	(14,813)	(33,950)
Realized Loss on Investment	100	70
(Gain) on Disposal of Property and Equipment	(6,367)	-
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(25,594)	8,981
Accrued Expenses	24,598	14,958
Decreases (Increases) in Current Assets:		
Accounts Receivable	25,107	7,623
Grants Receivable	2,184	(20,213)
Prepaid Expense	(31)	(527)
Inventory	<u>26,673</u>	<u>(169,929)</u>
Total Adjustments	<u>\$ 166,322</u>	<u>\$ (66,305)</u>