

**FOODLINK FOUNDATION, INC.  
AND SUBSIDIARY  
(An Affiliate of Foodlink, Inc.)**

**Consolidating Financial Statements  
as of June 30, 2015  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

September 30, 2015

To the Board of Directors of  
Foodlink Foundation, Inc. and Subsidiary:

### **Report on the Financial Statements**

We have audited the accompanying consolidating financial statements of Foodlink Foundation, Inc. (a New York not-for-profit corporation and an affiliate of Foodlink, Inc.) and Subsidiary (collectively, the Organizations), which comprise the consolidating balance sheet as of June 30, 2015, and the related consolidating statements of activities and change in net assets/accumulated deficit and cash flows for the year then ended, and the related notes to the consolidating financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating financial statements.

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

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***Opinion***

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Foodlink Foundation, Inc. and Subsidiary as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Foodlink Foundation, Inc. and Subsidiary's 2014 consolidating financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

# FOODLINK FOUNDATION, INC. AND SUBSIDIARY

## CONSOLIDATING BALANCE SHEET

JUNE 30, 2015

(With Comparative Totals for 2014)

	Foodlink			Total	
	Foundation, Inc.	FreshLink, LLC	Eliminations	2015	2014
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and equivalents	\$ 785,676	\$ 1,203	\$ -	\$ 786,879	\$ 168,701
Accounts receivable	-	6,656	-	6,656	2,075
Current portion of pledges receivable	36,304	-	-	36,304	22,204
Total current assets	821,980	7,859	-	829,839	192,980
INTERCOMPANY RECEIVABLE	769,409	-	(769,409)	-	-
INVESTMENTS	412,671	-	-	412,671	314,999
PLEDGES RECEIVABLE, net of current portion	24,982	-	-	24,982	44,227
INTEREST IN NET ASSETS OF FRESHLINK, LLC	(836,914)	-	836,914	-	-
PROPERTY AND EQUIPMENT, net	448,210	-	-	448,210	773,774
ASSETS HELD FOR SALE	136,800	-	-	136,800	553,500
	<u>\$ 1,777,138</u>	<u>\$ 7,859</u>	<u>\$ 67,505</u>	<u>\$ 1,852,502</u>	<u>\$ 1,879,480</u>
<b>LIABILITIES AND NET ASSETS/ACCUMULATED DEFICIT</b>					
<b>CURRENT LIABILITIES:</b>					
Line-of-credit	\$ 97,550	\$ -	\$ -	\$ 97,550	\$ -
Accounts payable	22,656	6,656	-	29,312	248,245
Current portion of long-term debt	-	15,425	-	15,425	246,016
Deferred revenue	29,175	-	-	29,175	-
Total current liabilities	149,381	22,081	-	171,462	494,261
INTERCOMPANY PAYABLE	-	769,409	(769,409)	-	-
DUE TO FOODLINK, INC.	-	-	-	-	341,368
LONG-TERM DEBT, net of current portion	-	53,283	-	53,283	978,235
Total liabilities	<u>149,381</u>	<u>844,773</u>	<u>(769,409)</u>	<u>224,745</u>	<u>1,813,864</u>
<b>NET ASSETS AND ACCUMULATED DEFICIT:</b>					
Unrestricted	588,913	-	836,914	1,425,827	397,581
Temporarily restricted	538,844	-	-	538,844	268,457
Permanently restricted	500,000	-	-	500,000	300,000
Accumulated deficit	-	(836,914)	-	(836,914)	(900,422)
	<u>1,627,757</u>	<u>(836,914)</u>	<u>836,914</u>	<u>1,627,757</u>	<u>65,616</u>
	<u>\$ 1,777,138</u>	<u>\$ 7,859</u>	<u>\$ 67,505</u>	<u>\$ 1,852,502</u>	<u>\$ 1,879,480</u>

The accompanying notes are an integral part of these statements.

**FOODLINK FOUNDATION, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS/ACCUMULATED DEFICIT  
FOR THE YEAR ENDED JUNE 30, 2015**

(With Comparative Totals for 2014)

	Foodlink Foundation, Inc.						Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	FreshLink, LLC	Eliminations	2015	2014
<b>PUBLIC SUPPORT AND REVENUE:</b>								
Contributions	\$ 117,877	\$ 693,599	\$ -	\$ 811,476	\$ -	\$ -	\$ 811,476	\$ 1,026,711
Bequests	1,276,069	-	200,000	1,476,069	-	-	1,476,069	300,000
Rental income	225,311	-	-	225,311	456,756	-	682,067	659,727
Catering revenue	-	-	-	-	89,182	-	89,182	10,409
Net assets released from restriction	420,883	(420,883)	-	-	-	-	-	-
<b>Total public support and revenue</b>	<b>2,040,140</b>	<b>272,716</b>	<b>200,000</b>	<b>2,512,856</b>	<b>545,938</b>	<b>-</b>	<b>3,058,794</b>	<b>1,996,847</b>
<b>EXPENSES:</b>								
Occupancy	192,864	-	-	192,864	386,040	-	578,904	563,346
Contracted services	156,810	-	-	156,810	36,736	-	193,546	300,103
Professional fees	142,890	-	-	142,890	367	-	143,257	258,674
Donations	118,837	-	-	118,837	-	-	118,837	30,600
Depreciation and amortization	104,435	-	-	104,435	375	-	104,810	181,805
Telephone and office expense	102,048	-	-	102,048	1	-	102,049	133,208
Operational supplies and equipment	25,848	-	-	25,848	58,418	-	84,266	55,714
Interest	40,566	-	-	40,566	-	-	40,566	74,775
Travel and meetings	7,123	-	-	7,123	19	-	7,142	11,136
Bank fees	6,924	-	-	6,924	-	-	6,924	4,465
Security	3,820	-	-	3,820	-	-	3,820	3,500
Other	40,058	-	-	40,058	474	-	40,532	49,031
<b>Total expenses</b>	<b>942,223</b>	<b>-</b>	<b>-</b>	<b>942,223</b>	<b>482,430</b>	<b>-</b>	<b>1,424,653</b>	<b>1,666,357</b>
<b>CHANGE IN NET ASSETS BEFORE OTHER ITEMS</b>	<b>1,097,917</b>	<b>272,716</b>	<b>200,000</b>	<b>1,570,633</b>	<b>63,508</b>	<b>-</b>	<b>1,634,141</b>	<b>330,490</b>
<b>OTHER ITEMS:</b>								
Investment income	3,825	(2,329)	-	1,496	-	-	1,496	16,099
Change in interest in net assets of FreshLink, LLC	63,508	-	-	63,508	-	(63,508)	-	-
Gain on disposal of property and equipment	30,900	-	-	30,900	-	-	30,900	-
Impairment of property and equipment	-	-	-	-	-	-	-	(374,425)
Change in value of assets held for sale	(104,396)	-	-	(104,396)	-	-	(104,396)	(1,014,698)
<b>Total other items</b>	<b>(6,163)</b>	<b>(2,329)</b>	<b>-</b>	<b>(8,492)</b>	<b>-</b>	<b>(63,508)</b>	<b>(72,000)</b>	<b>(1,373,024)</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,091,754</b>	<b>270,387</b>	<b>200,000</b>	<b>1,562,141</b>	<b>63,508</b>	<b>(63,508)</b>	<b>1,562,141</b>	<b>(1,042,534)</b>
<b>NET ASSETS/ACCUMULATED DEFICIT - beginning of year</b>	<b>(502,841)</b>	<b>268,457</b>	<b>300,000</b>	<b>65,616</b>	<b>(900,422)</b>	<b>900,422</b>	<b>65,616</b>	<b>1,108,150</b>
<b>NET ASSETS/ACCUMULATED DEFICIT - end of year</b>	<b>\$ 588,913</b>	<b>\$ 538,844</b>	<b>\$ 500,000</b>	<b>\$ 1,627,757</b>	<b>\$ (836,914)</b>	<b>\$ 836,914</b>	<b>\$ 1,627,757</b>	<b>\$ 65,616</b>

The accompanying notes are an integral part of these statements.

## FOODLINK FOUNDATION, INC. AND SUBSIDIARY

### CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

(With Comparative Totals for 2014)

	Foodlink			Total	
	Foundation, Inc.	FreshLink, LLC	Eliminations	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>					
Change in net assets	\$ 1,562,141	\$ 63,508	\$ (63,508)	\$ 1,562,141	\$ (1,042,534)
Adjustments to reconcile change in net assets to net cash flow from operating activities:					
Realized and unrealized investment (gain) loss	251	-	-	251	(7,157)
Depreciation and amortization	104,435	375	-	104,810	181,805
Change in interest in net assets of FreshLink, LLC	(63,508)	-	63,508	-	-
Gain on disposal of property and equipment	(30,900)	-	-	(30,900)	-
Impairment of property and equipment	-	-	-	-	374,425
Change in value of assets held for sale	104,396	-	-	104,396	1,014,698
Changes in:					
Accounts receivable	-	(4,581)	-	(4,581)	469
Pledges receivable	5,145	-	-	5,145	35,495
Intercompany receivable/payable	51,048	(51,048)	-	-	-
Accounts payable	(225,304)	6,371	-	(218,933)	241,540
Deferred revenue	29,175	-	-	29,175	(8,000)
Net cash flow from operating activities	<u>1,536,879</u>	<u>14,625</u>	<u>-</u>	<u>1,551,504</u>	<u>790,741</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>					
Proceeds from sale of property and equipment	613,388	-	-	613,388	-
Purchases of property and equipment	(49,430)	-	-	(49,430)	(36,894)
Purchases of investments	(853,254)	-	-	(853,254)	(309,835)
Proceeds from sales of investments	<u>755,331</u>	<u>-</u>	<u>-</u>	<u>755,331</u>	<u>1,993</u>
Net cash flow from investing activities	<u>466,035</u>	<u>-</u>	<u>-</u>	<u>466,035</u>	<u>(344,736)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>					
Borrowings (repayments) on line-of-credit, net	97,550	-	-	97,550	(250,000)
Decrease in due to Foodlink, Inc.	(341,368)	-	-	(341,368)	(197,058)
Proceeds from issuance of long-term debt	-	-	-	-	200,000
Principal payments on long-term debt	<u>(1,140,709)</u>	<u>(14,834)</u>	<u>-</u>	<u>(1,155,543)</u>	<u>(43,974)</u>
Net cash flow from financing activities	<u>(1,384,527)</u>	<u>(14,834)</u>	<u>-</u>	<u>(1,399,361)</u>	<u>(291,032)</u>
CHANGE IN CASH AND EQUIVALENTS	618,387	(209)	-	618,178	154,973
CASH AND EQUIVALENTS - beginning of year	<u>167,289</u>	<u>1,412</u>	<u>-</u>	<u>168,701</u>	<u>13,728</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 785,676</u>	<u>\$ 1,203</u>	<u>\$ -</u>	<u>\$ 786,879</u>	<u>\$ 168,701</u>

The accompanying notes are an integral part of these statements.

# FOODLINK FOUNDATION, INC. AND SUBSIDIARY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### 1. THE ORGANIZATIONS

Foodlink Foundation, Inc. (the Foundation) is a not-for-profit organization incorporated on September 25, 1998 under New York State not-for-profit corporation laws. The Foundation was formed to provide funding and support for local anti-hunger organizations. FreshLink, LLC (FreshLink) is a wholly-owned for-profit subsidiary of the Foundation. FreshLink leases real estate property and subleases this property.

The Foundation is related through common membership and management with Foodlink, Inc. (Foodlink). Foodlink is the Foundation's sole corporate member.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Consolidation**

The accompanying consolidating financial statements include the accounts of the Foundation and FreshLink (collectively, the Organizations).

All significant inter-company transactions between the Foundation and FreshLink have been eliminated in the accompanying consolidating financial statements.

#### **Basis of Accounting**

The consolidating financial statements of the Organizations have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

#### **Financial Reporting**

Resources for various purposes are classified for accounting and reporting purposes by net asset categories established according to their nature and purpose. The following net asset categories are maintained by the Organizations:

- Unrestricted - Amounts available for use without any donor-imposed restrictions.
- Temporarily Restricted - Amounts that have donor-imposed restrictions that permit the Agency to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Organizations, as well as investment earnings on permanently restricted endowment funds not yet appropriated for expenditure by the Organization's Board. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.
- Permanently Restricted - Amounts that have donor-imposed restrictions that stipulate that resources be maintained permanently, but which permit the Organizations to use or expend all of the income derived from the donated assets at its discretion.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Comparative Information**

The consolidating 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the consolidating financial statements for the year ended June 30, 2014, from which the summarized information was derived.

### **Cash and Equivalents**

Cash and equivalents include bank demand deposit and money market accounts. At times, the balances in these accounts may exceed federally insured limits. The Organizations have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk with respect to cash and equivalents.

### **Advertising**

Advertising costs are charged to expense when incurred. Advertising expenses for the Foundation were \$23,133 and \$31,303 for the years ended June 30, 2015 and 2014, respectively.

### **Accounts Receivable**

FreshLink provides services to customers and records revenue and receivables to the extent the service has been provided and revenue is earned. FreshLink records an allowance for doubtful accounts in anticipation of future write-offs. The allowance for doubtful accounts is based on the Organizations' historical collection experience and a review of outstanding balances. Accounts deemed uncollectible after collection efforts are exhausted are written off. No allowance for doubtful accounts was considered necessary at June 30, 2015 or 2014.

### **Pledges Receivable and Contributions**

The Foundation records pledges receivable when an unconditional contribution commitment is received. Pledges receivable are recorded net of a discount relative to the present value of future cash flows unless they are expected to be received within one year. In addition, the Foundation records an allowance for doubtful pledges receivable based on past collection experience and a review of specific accounts. Pledges are written-off when reasonable collection efforts have been exhausted. No allowance for doubtful pledges was considered necessary at June 30, 2015 or 2014.

### **Donated Services**

Donated legal services totaled approximately \$29,000 in 2015. These amounts have been reflected as contribution revenue and professional fees expense in the accompanying financial statements. There were no in-kind contributions for 2014.

### **Investments**

Investments are recorded at fair value, based on quoted market prices. Investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the accompanying financial statements.

### **Property and Equipment**

Property and equipment is recorded at cost or at the fair market value at the date of donation. The Organizations' policy is to capitalize all property and equipment purchases greater than \$2,500 having an estimated useful life in excess of one year. Depreciation and amortization is computed on the straight-line basis over the assets' estimated useful lives, which range from five (5) to forty (40) years.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Property and Equipment (Continued)**

The Foundation assesses its long-lived assets for impairment when events or circumstances indicate their carrying value amount may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of the assessment, the long lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. There were no assets considered to be impaired as of June 30, 2015. There was a loss on a long-lived asset in 2014 amounting to \$374,425. See note 7.

### **Assets Held for Sale**

Real estate holdings that are intended to sell within one year are classified as assets held for sale. At each reporting date, the Foundation evaluates the recorded value by obtaining information from real estate professionals and evaluating sales prices of comparable properties. If the current estimated fair value is less than the recorded value, the Foundation records a valuation adjustment to reduce the recorded value to estimated net realizable value.

### **Deferred Revenue**

During 2015, the Foundation signed a lease and is leasing rooftop space to an unrelated third-party through March 2020 and received payment in advance. This revenue will be recognized on a monthly basis through the term of the lease.

### **Income Taxes**

The Foundation is a not-for-profit corporation and is exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

FreshLink is a for-profit limited liability corporation. No income tax expense has been accrued for the years ended June 30, 2015 and 2014 due to FreshLink's net operating losses. In addition, no deferred income tax assets have been recognized because the timing of realization of such assets is not estimable. FreshLink has available net operating loss carryforwards of approximately \$1,062,000 available to offset future taxable income through 2032, if any. The loss carryforwards expire between 2023 and 2032.

### **Fair Value Measurement - Definition and Hierarchy**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Fair Value Measurement - Definition and Hierarchy (Continued)**

The Foundation uses various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Organizations. Unobservable inputs are inputs that reflect the Organizations' assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## 3. TRANSACTIONS WITH FOODLINK, INC.

Foodlink was formed to provide food, skills and resources to emergency food providers and other charitable organizations in Monroe County and nine surrounding counties.

### **Administrative Support**

The Foundation receives administrative support from Foodlink in the form of personnel and other operating costs. These costs are charged by Foodlink based on agreed-upon methodologies. Administrative support expense was approximately \$12,000 for the years ended June 30, 2015 and 2014 and is included in contracted services in the accompanying statement of activities and change in net assets/accumulated deficit.

### **Facility Use**

The Foundation owns a facility used by Foodlink on Exchange Street. Foodlink leased a portion of the space at this facility from the Foundation, on a month-to-month basis through June 30, 2015, for \$850 per month, which management believes approximated fair market value rent for the space.

### 3. TRANSACTIONS WITH FOODLINK, INC. (Continued)

#### Facility Use (Continued)

The Foundation also owned a facility on Joseph Avenue. Foodlink leased space at this facility from the Foundation through March 2015, for \$10,563 per month, which management believes approximated fair market value. In March 2015, this property was sold to an unrelated third-party and the Foundation signed a new lease agreement with the unrelated third-party, as described in Note 11. The Foundation is continuing to sublease the property to Foodlink for \$10,563 on a month-to-month basis through October 31, 2015, at which time the rent will be decreased to \$3,693 per month through December 2016.

As described in Note 11, FreshLink leases space in a building on Mt. Read Boulevard for \$19,912 per month plus Common Area Maintenance (CAM) costs. Effective July 1, 2015, FreshLink increased the space leased in this building, increasing the monthly payment by \$6,561 per month, through December 31, 2019, with increases every 5 years through the expiration of the lease on December 31, 2031. This space was then subleased to Foodlink for \$19,912 per month through June 30, 2015. The space will be subleased to Foodlink for \$26,473 per month plus CAM costs from July 1, 2015 through December 31, 2031.

Expected payments under the terms of this lease is as follows for the years ending:

2016	\$	389,472
2017		339,834
2018		317,676
2019		317,676
2020		324,834
Thereafter		<u>3,887,016</u>
	\$	<u>5,576,508</u>

#### Due to Foodlink, Inc.

Foodlink paid operating expenses on behalf of the Foundation in the amount of \$265,602 and \$407,018 during 2015 and 2014, respectively. The non-interest bearing amounts due to Foodlink were \$0 and \$341,368 as of June 30, 2015 and 2014, respectively.

### 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Capital campaign	\$ 512,913	\$ 186,451
WellVentions	13,261	67,007
Unappropriated endowment earnings	<u>12,670</u>	<u>14,999</u>
	<u>\$ 538,844</u>	<u>\$ 268,457</u>

#### 4. TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets were released from restriction as follows during the years ended June 30:

	<u>2015</u>	<u>2014</u>
Capital campaign	\$ 317,137	\$ 134,284
WellVentions	<u>103,746</u>	<u>82,993</u>
	<u>\$ 420,883</u>	<u>\$ 217,277</u>

#### 5. PLEDGES RECEIVABLE

Outstanding pledges are due as follows for the years ending June 30:

2016	\$ 36,304
2017	13,454
2018	8,104
2019	<u>3,424</u>
	61,286
Less: Current portion	<u>36,304</u>
	<u>\$ 24,982</u>

#### 6. INVESTMENTS

Investments consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 6,969	\$ 6,107
Fixed income mutual funds	97,827	74,078
Equity mutual funds	54,461	49,202
Government bonds	118,128	100,838
Common stock	<u>135,286</u>	<u>84,774</u>
	<u>\$ 412,671</u>	<u>\$ 314,999</u>

Investment income for the years ended June 30 consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 1,747	\$ 8,879
Net realized gains	693,415	992
Net unrealized gains (losses)	<u>(693,666)</u>	<u>6,228</u>
	<u>\$ 1,496</u>	<u>\$ 16,099</u>

## 6. INVESTMENTS (Continued)

The Foundation's investments are measured at fair value on a recurring basis. Investments are segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value as follows as of June 30:

	2015			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Cash and cash equivalents	\$ 6,969	\$ -	\$ -	\$ 6,969
Fixed income mutual funds	97,827	-	-	97,827
Equity mutual funds	54,461	-	-	54,461
Government bonds	118,128	-	-	118,128
Common stock	<u>135,286</u>	<u>-</u>	<u>-</u>	<u>135,286</u>
	<u>\$ 412,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,671</u>

  

	2014			Total Fair Value
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Cash and cash equivalents	\$ 6,107	\$ -	\$ -	\$ 6,107
Fixed income mutual funds	74,078	-	-	74,078
Equity mutual funds	49,202	-	-	49,202
Government bonds	100,838	-	-	100,838
Common stock	<u>84,774</u>	<u>-</u>	<u>-</u>	<u>84,774</u>
	<u>\$ 314,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,999</u>

During 2015, the Foundation reclassified the fixed income mutual funds previously held in Level 2 to Level 1 due to a change in management's assessment and clarification of the inputs. There was, however, no change in the actual inputs utilized to value the accounts.

## 7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2015			2014		
	Foundation	FreshLink	Total	Foundation	FreshLink	Total
Land	\$ -	\$ -	\$ -	\$ 145,351	\$ -	\$ 145,351
Buildings	625,575	-	625,575	758,339	-	758,339
Building and land improvements	1,162,037	-	1,162,037	1,164,800	-	1,164,800
Furniture and equipment	22,289	2,053	24,342	29,662	2,053	31,715
Vehicles	<u>49,890</u>	<u>-</u>	<u>49,890</u>	<u>54,190</u>	<u>-</u>	<u>54,190</u>
	1,859,791	2,053	1,861,844	2,152,342	2,053	2,154,395
Less:						
Accumulated depreciation	<u>(1,411,581)</u>	<u>(2,053)</u>	<u>(1,413,634)</u>	<u>(1,378,943)</u>	<u>(1,678)</u>	<u>(1,380,621)</u>
	<u>\$ 448,210</u>	<u>\$ -</u>	<u>\$ 448,210</u>	<u>\$ 773,399</u>	<u>\$ 375</u>	<u>\$ 773,774</u>

## 7. PROPERTY AND EQUIPMENT (Continued)

### Impairment of Property and Equipment

The Foundation recognized a decrease in the market value related to the Exchange Street property in 2014. The Foundation assessed the building and related improvements for impairment and determined that the carrying amount of the building and improvements exceeded its fair value, based on the current listing price of the property. The Foundation recognized a \$374,425 impairment loss in unrestricted net assets in the consolidating statement of activities and change in net assets/accumulated deficit when it wrote-down the carrying value of the property to its expected cash proceeds to be received from the sale of the property at June 30, 2014. The Foundation reassessed the building and related improvements for impairment as of June 30, 2015 and determined no additional write-down is required. There are no purchase offers for the property at the time of issuance of the financial statements.

The following table indicates the level of valuation inputs within the fair value hierarchy utilized to measure fair value for impaired property on a nonrecurring basis as of June 30:

	2015			Total
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Fair Value</u>
Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446,076</u>	<u>\$ 446,076</u>
	2014			Total
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Fair Value</u>
Property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,000</u>	<u>\$ 513,000</u>

## 8. ASSETS HELD FOR SALE

The Foundation has listed the Penfield Center Road facility for sale and has received a signed purchase agreement for the purchase of the facility. As a result, at June 30, 2015, the property was valued at liquidation value, which is fair value, and has been included as assets held for sale on the accompanying balance sheet. As of June 30, 2015, the Foundation recorded a valuation adjustment on the property based on the following estimated expected cash proceeds to be received from sale of the property.

The following table indicates the level of valuation inputs within the fair value hierarchy utilized to measure fair value for assets held for sale as of June 30, 2015 on a nonrecurring basis:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	Total
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Fair Value</u>
Assets held for sale	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,800</u>	<u>\$ 136,800</u>

## 8. ASSETS HELD FOR SALE (Continued)

The Foundation sold the Joseph Avenue facility in the current year, which was reported at liquidation value, which was fair value, and included as assets held for sale as of June 30, 2014. As of June 30, 2014, the Foundation recorded a valuation adjustment on the property based on the following estimated expected cash proceeds to be received from sale of the property.

The following table indicates the level of valuation inputs within the fair value hierarchy utilized to measure fair value for assets held for sale as of June 30, 2014 on a nonrecurring basis:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total Fair Value</u>
Assets held for sale	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>  553,000</u>	\$ <u>  553,000</u>

## 9. LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
<b>The Foundation:</b>		
Loans repaid in 2015	\$ <u>          -</u>	\$ <u>  1,140,709</u>
Total Foundation	-	1,140,709
Less: Current portion	<u>          (-)</u>	<u>  (231,508)</u>
Total Foundation	\$ <u>          -</u>	\$ <u>  909,201</u>
<b>FreshLink:</b>		
Note payable to a bank in monthly installments of \$1,600 including interest at 6.14%, payable through August 1, 2014. At August 1, 2014, the interest rate will adjust to a rate of 220 basis points above the then current Federal Home Loan Bank of New York rate and continue through August 2019. This loan is collateralized by all assets of the Foundation and FreshLink.	\$ <u>  68,708</u>	\$ <u>  83,542</u>
Total FreshLink	68,708	83,542
Less: Current portion	<u>  (15,425)</u>	<u>  (14,508)</u>
	\$ <u>  53,283</u>	\$ <u>  69,034</u>
<b>Consolidated:</b>		
Total Consolidated	\$ <u>  68,708</u>	\$ <u>  1,224,251</u>
Less: Current portion	<u>  (15,425)</u>	<u>  (246,016)</u>
	\$ <u>  53,283</u>	\$ <u>  978,235</u>

**9. LONG-TERM DEBT (Continued)**

**Future Minimum Required Payments**

Minimum future principal payments under the Organizations' long-term debt agreements are as follows for the years ended June 30:

	<u>Foundation</u>	<u>FreshLink</u>	<u>Total</u>
2016	\$ -	\$ 15,425	\$ 15,425
2017	-	16,399	16,399
2018	-	17,435	17,435
2019	-	18,536	18,536
2020	-	913	913
	<u>          -</u>	<u>          913</u>	<u>          913</u>
	<u>\$ -</u>	<u>\$ 68,708</u>	<u>\$ 68,708</u>

**Line-of-Credit**

The Foundation has a line-of-credit agreement with a bank in the amount of \$600,000 with interest at the prime rate (3.25% at June 30, 2015), but not lower than 4.00%. Amounts borrowed on the line-of-credit are collateralized by a general lien on substantially all of the Foundation's assets. Foodlink has guaranteed the Foundation's line-of-credit. There was \$97,500 outstanding on this line-of-credit at June 30, 2015. There were no amounts outstanding on this line-of-credit at June 30, 2014.

**Paid Interest**

Interest paid on long-term debt totaled approximately \$41,000 and \$75,000 for the years ended June 30, 2015 and 2014, respectively.

**10. ENDOWMENT**

The Foundation's endowment net asset balance consisted of temporarily and permanently restricted net assets. Changes in the endowment net assets were as follows for the years ended June 30:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, July 1, 2013	\$ -	\$ -
Contributions	-	300,000
Unappropriated earnings	<u>14,999</u>	<u>-</u>
Endowment net assets, June 30, 2014	14,999	300,000
Contributions	-	200,000
Unappropriated earnings (losses)	<u>(2,329)</u>	<u>-</u>
Endowment net assets, June 30, 2015	<u>\$ 12,670</u>	<u>\$ 500,000</u>



## 10. ENDOWMENT (Continued)

### **Interpretation of Relevant Laws**

The Foundation's Board of Directors has interpreted the applicable provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as endowment net assets (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations of investment income of the endowment are added to the fund in accordance with the direction of the donor gift instrument. Any unappropriated earnings or appreciation are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by New York State law.

### **Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that provides for long-term growth for possible support of the Foundation's budget when other funding sources may not be adequate. A secondary objective is to minimize volatility so that assets are available when they are needed.

### **Strategies Employed for Achieving Objectives**

The Foundation has adopted target asset allocations of no more than 70% in equity securities and no less than 30% in fixed income securities at the time of purchase.

### **Spending Policy and Related Investment Objectives**

The Foundation has adopted a target spending policy whereby 3%-5% of the average value over the trailing 20 quarters will be available for withdrawal annual from the fund. The Foundation will rely on a total return strategy in which assets available for withdrawal will come from either capital appreciation and/or income. The amount to be withdrawn will be calculated as of the last day of the fiscal year. This amount will be available, if needed, to support the operating budget and capital expenses.

## 11. COMMITMENTS AND CONTINGENCIES

### **Lease Commitments**

The Foundation is leasing space at a building on Joseph Avenue under the terms of an operating lease agreement through December 2016. Under the terms of this agreement, the Foundation will begin monthly payments of \$3,693, plus CAM costs, in November 2015, through December 2016.

FreshLink is leasing space at a building on Mt. Read Boulevard under the terms of an operating lease agreement through December 2031. Under the terms of this agreement, FreshLink is to make monthly payments of \$19,912, plus CAM costs, through September 2031. Effective July 1, 2015, FreshLink increased the space leased in this building, increasing the monthly payment by \$6,561 per month, through December 31, 2019, with increases every 5 years through the expiration of the lease on December 31, 2031.

## 11. COMMITMENTS AND CONTINGENCIES (Continued)

### Lease Commitments (Continued)

Under the terms of these agreements, the future minimum cash rental payments are as follows for the years ending:

2016	\$ 347,220
2017	339,834
2018	317,676
2019	317,676
2020	324,834
Thereafter	<u>3,887,016</u>
	<u>\$ 5,534,256</u>

## 12. FUNCTIONAL EXPENSES

The Foundation's functional expenses for the year ended June 30, 2015 were as follows:

	<u>Program</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Occupancy	\$ 183,966	\$ 313	\$ 8,585	\$ 192,864
Contracted services	28,979	7,083	120,748	156,810
Professional fees	135,095	6,255	1,540	142,890
Donations	118,837	-	-	118,837
Depreciation	104,435	-	-	104,435
Office expenses	3,488	1,082	97,478	102,048
Interest	33,059	3,119	4,388	40,566
Operational supplies and equipment	25,848	-	-	25,848
Travel and meetings	1,955	1,357	3,811	7,123
Bank fees	709	3,770	2,445	6,924
Security	3,820	-	-	3,820
Other	<u>5,538</u>	<u>1,073</u>	<u>33,447</u>	<u>40,058</u>
	<u>\$ 645,729</u>	<u>\$ 24,052</u>	<u>\$ 272,442</u>	<u>\$ 942,223</u>

## 12. FUNCTIONAL EXPENSES (Continued)

The Foundation's functional expenses for the year ended June 30, 2014 were as follows:

	<u>Program</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total</u>
Contracted services	\$ 44,802	\$ 43,793	\$ 205,900	\$ 294,495
Professional fees	243,372	8,906	4,920	257,198
Occupancy	202,053	603	812	203,468
Depreciation	181,394	-	-	181,394
Office expenses	2,836	1,598	128,767	133,201
Interest	66,194	1,769	6,812	74,775
Operational supplies and equipment	30,385	-	12,005	42,390
Donations	30,600	-	-	30,600
Travel and meetings	1,173	2,793	7,170	11,136
Other	<u>8,517</u>	<u>12,323</u>	<u>35,895</u>	<u>56,735</u>
	<u>\$ 811,326</u>	<u>\$ 71,785</u>	<u>\$ 402,281</u>	<u>\$ 1,285,392</u>

## 13. RELATED PARTY TRANSACTIONS

### Inter-Company Loan

FreshLink has a balance due to the Foundation of \$769,409 and \$820,457 at June 30, 2015 and 2014, respectively. This balance represents payroll, benefits and other operating expenses paid by the Foundation on behalf of FreshLink. There are no formal repayment terms for this balance, and FreshLink made payments of \$73,686 and \$62,163 in 2015 and 2014, respectively.

## 14. CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Environmental regulations exist that require the Organizations to handle and dispose of contaminated soil in a special manner if a property undergoes major renovations or excavation. Otherwise, the Organizations are not required to evaluate the level of potential contamination at their properties. The Organizations have not recorded any liability in connection with these obligations because they cannot estimate the fair value of their potential obligation due to a lack of sufficient information about the timetable over which these obligations may be settled through excavation or sale/transfer of any affected properties.

## 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 30, 2015, which is the date the financial statements were available to be issued.