

THE SOCIETY OF ST. ANDREW, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017

And Report of Independent Auditor

THE SOCIETY OF ST. ANDREW, INC.

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Report of Independent Auditor

The Board of Directors
The Society of St. Andrew, Inc.
Big Island, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of The Society of St. Andrew, Inc. (the "Society"), a not-for-profit organization, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year 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 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 financial statements are free from 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 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 Society of St. Andrew, Inc. as of December 31, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Lynchburg, Virginia
March 12, 2018

THE SOCIETY OF ST. ANDREW, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

| | |
|----------------------|------------|
| Cash | \$ 802,027 |
| Investments | 937,348 |
| Accounts receivable | 17,280 |
| Prepaid expenses | 20,465 |
| Total Current Assets | 1,777,120 |

Property and Equipment:

| | |
|-------------------------------|---------------------|
| Land | 7,500 |
| Building | 369,060 |
| Office equipment | 11,278 |
| Computer equipment | 231,417 |
| Transportation equipment | 16,361 |
| | 635,616 |
| Less accumulated depreciation | (344,105) |
| Net Property and Equipment | 291,511 |
| Total Assets | \$ 2,068,631 |

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|--|-----------|
| Accounts payable | \$ 65,256 |
| Accrued expenses | 36,559 |
| Capital lease obligation, current maturities | 24,365 |
| Total Current Liabilities | 126,180 |

Long-Term Liabilities:

| | |
|--|----------------|
| Capital lease obligation, long-term maturities | 96,200 |
| Total Liabilities | 222,380 |

Net Assets:

| | |
|---|---------------------|
| Unrestricted: | |
| Internally-designated endowment fund | 236,920 |
| Undesignated | 1,609,331 |
| Total Net Assets | 1,846,251 |
| Total Liabilities and Net Assets | \$ 2,068,631 |

THE SOCIETY OF ST. ANDREW, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Revenues, Gains, and Other Support: | | | | |
| Contributions: | | | | |
| Donated produce | \$ - | \$ 13,261,868 | \$ - | \$ 13,261,868 |
| Churches | 262,258 | 242,356 | - | 504,614 |
| Foundations | 399,320 | 525,704 | - | 925,024 |
| Individuals | 501,214 | 251,208 | - | 752,422 |
| Combined Federal Campaign | 19,932 | - | - | 19,932 |
| Meals for Millions | - | 123,873 | - | 123,873 |
| St. Andrew Club | - | 76,461 | - | 76,461 |
| Total Contributions | <u>1,182,724</u> | <u>14,481,470</u> | <u>-</u> | <u>15,664,194</u> |
| Program Related Revenue: | | | | |
| Program registrations | 39,902 | - | - | 39,902 |
| Total Program Related Revenue | <u>39,902</u> | <u>-</u> | <u>-</u> | <u>39,902</u> |
| Other Revenue and Expense: | | | | |
| Investment income | 23,726 | - | - | 23,726 |
| Merchandise sales | 2,780 | - | - | 2,780 |
| Loss on disposal of equipment | (2,683) | - | - | (2,683) |
| Realized gain on investments | 30,681 | - | - | 30,681 |
| Unrealized gain on investments | 27,069 | - | - | 27,069 |
| Total Other Revenue and Expense | <u>81,573</u> | <u>-</u> | <u>-</u> | <u>81,573</u> |
| Net Assets Released From Restrictions: | | | | |
| Satisfaction of program and time restrictions | 14,481,470 | (14,481,470) | - | - |
| Total Revenue | <u>15,785,669</u> | <u>-</u> | <u>-</u> | <u>15,785,669</u> |

THE SOCIETY OF ST. ANDREW, INC.
STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Expenses: | | | | |
| Program services: | | | | |
| Potato & Produce Project | \$ 4,888,531 | \$ - | \$ - | \$ 4,888,531 |
| Harvest of Hope | 235,044 | - | - | 235,044 |
| Gleaning | 10,162,318 | - | - | 10,162,318 |
| Strategic programs | 116,320 | - | - | 116,320 |
| Supporting services: | | | | |
| Administrative | 240,875 | - | - | 240,875 |
| Fundraising | 283,022 | - | - | 283,022 |
| Total Expenses | <u>15,926,110</u> | <u>-</u> | <u>-</u> | <u>15,926,110</u> |
| Change in net assets | (140,441) | - | - | (140,441) |
| Net assets, beginning of year | <u>1,986,692</u> | <u>-</u> | <u>-</u> | <u>1,986,692</u> |
| Net Assets, end of year | <u>\$ 1,846,251</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,846,251</u> |

The accompanying notes to the financial statements are an integral part of this statement.

THE SOCIETY OF ST. ANDREW, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:

| | |
|--|------------------|
| Change in net assets | \$ (140,441) |
| Adjustments to reconcile change in net assets to net cash used in operating activities | |
| Depreciation | 40,468 |
| Net realized and unrealized gains on investments | (57,750) |
| Loss on disposal of equipment | (2,683) |
| (Increase) decrease in operating assets: | |
| Accounts receivable | (3,718) |
| Prepaid expenses | 1,535 |
| Increase (decrease) in operating liabilities | |
| Accounts payable | 9,486 |
| Accrued expenses | 3,552 |
| Net cash used in operating activities | <u>(149,551)</u> |

Cash flows from investing activities:

| | |
|--|------------------|
| Proceeds from sale of investments | 141,874 |
| Purchase of investments, net of proceeds | <u>(170,910)</u> |
| Net cash used in investing activities | <u>(29,036)</u> |

Cash flows from financing activities:

| | |
|--|-----------------|
| Principal payments under capital lease obligations | <u>(16,535)</u> |
|--|-----------------|

| | |
|-------------------------|--------------------------|
| Net decrease in cash | (195,122) |
| Cash, beginning of year | <u>997,149</u> |
| Cash, end of year | <u><u>\$ 802,027</u></u> |

Supplemental disclosure of cash flow information

| | |
|---|--------------------------|
| Cash paid for interest | <u><u>\$ 5,140</u></u> |
| Acquisition of equipment under capital leases | <u><u>\$ 117,035</u></u> |

THE SOCIETY OF ST. ANDREW, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

| | Supporting Services | | | Program Services | | | | Total Expenses | |
|-------------------------------|---------------------|-----------------|------------|-----------------------------|--------------------|---------------|-----------------------|----------------|---------------|
| | Admini- strative | Fund Raising | Total | Potato & Produce Project | Harvest of Hope | Gleaning | Strategic Programs | | Total |
| Cost of Distribution: | | | | | | | | | |
| Produce distributed | \$ - | \$ - | \$ - | \$ 4,341,187 | \$ 62,147 | \$ 8,888,564 | \$ - | \$ 13,291,898 | \$ 13,291,898 |
| Materials and labor | - | - | - | 202,454 | - | 79,780 | - | 282,234 | 282,234 |
| Freight | - | - | - | 201,484 | - | 66,446 | - | 267,930 | 267,930 |
| Total | - | - | - | 4,745,125 | 62,147 | 9,034,790 | - | 13,842,062 | 13,842,062 |
| Operating Expenses: | | | | | | | | | |
| Advertising | 21 | 1,115 | 1,136 | 66 | 2,487 | 991 | 18 | 3,562 | 4,698 |
| Bank charges | 9,903 | - | 9,903 | - | - | 57 | - | 57 | 9,960 |
| Building maintenance | 417 | 298 | 715 | 1,312 | 1,610 | 1,968 | 358 | 5,248 | 5,963 |
| Contracted services | 274 | 196 | 470 | 861 | 1,057 | 1,291 | 12,114 | 15,323 | 15,793 |
| Dues and publications | 914 | 9,148 | 10,062 | 2,860 | 3,526 | 18,175 | 2,415 | 26,976 | 37,038 |
| Employee benefits | 35,443 | 30,946 | 66,389 | 6,924 | 4,354 | 111,154 | 8,420 | 130,852 | 197,241 |
| Equipment and facility rental | 690 | 493 | 1,183 | 2,167 | 36,669 | 15,347 | 591 | 54,774 | 55,957 |
| Equipment maintenance | 2,489 | 1,778 | 4,267 | 7,824 | 9,602 | 12,283 | 2,134 | 31,843 | 36,110 |
| Insurance | 2,417 | 1,727 | 4,144 | 7,597 | 9,323 | 11,903 | 2,072 | 30,895 | 35,039 |
| Interest | 360 | 257 | 617 | 1,131 | 1,388 | 1,696 | 308 | 4,523 | 5,140 |
| Licenses and taxes | 279 | 200 | 479 | 878 | 1,077 | 1,317 | 239 | 3,511 | 3,990 |
| Office supplies | 413 | 12,751 | 13,164 | 1,297 | 1,666 | 7,918 | 2,221 | 13,102 | 26,266 |
| Payroll taxes | 11,145 | 10,262 | 21,407 | 5,391 | 3,432 | 52,767 | 2,031 | 63,621 | 85,028 |
| Pension costs | 11,666 | 10,082 | 21,748 | 7,664 | 809 | 38,741 | 3,726 | 50,940 | 72,688 |
| Postage | 1,201 | 47,537 | 48,738 | 3,955 | 4,631 | 12,348 | 1,029 | 21,963 | 70,701 |
| Printing | 2,714 | 1,932 | 4,646 | 8,530 | 10,502 | 12,835 | 2,334 | 34,201 | 38,847 |
| Program expenses | - | - | - | - | 4,322 | 8,901 | 475 | 13,698 | 13,698 |
| Salaries | 155,924 | 142,992 | 298,916 | 70,479 | 52,954 | 696,624 | 54,640 | 874,697 | 1,173,613 |
| Telephone | 1,241 | 886 | 2,127 | 3,900 | 4,787 | 12,425 | 1,064 | 22,176 | 24,303 |
| Training | 24 | 1,858 | 1,882 | 74 | 91 | 3,496 | 1,930 | 5,591 | 7,473 |
| Travel | 36 | 6,205 | 6,241 | 113 | 5,867 | 89,716 | 15,368 | 111,064 | 117,305 |
| Utilities | 471 | 336 | 807 | 1,480 | 1,817 | 2,221 | 404 | 5,922 | 6,729 |
| Total | 238,042 | 280,999 | 519,041 | 134,503 | 161,971 | 1,114,174 | 113,891 | 1,524,539 | 2,043,580 |
| Expenses before depreciation | 238,042 | 280,999 | 519,041 | 4,879,628 | 224,118 | 10,148,964 | 113,891 | 15,366,601 | 15,885,642 |
| Depreciation | 2,833 | 2,023 | 4,856 | 8,903 | 10,926 | 13,354 | 2,429 | 35,612 | 40,468 |
| Total Expenses | \$ 240,875 | \$ 283,022 | \$ 523,897 | \$ 4,888,531 | \$ 235,044 | \$ 10,162,318 | \$ 116,320 | \$ 15,402,213 | \$ 15,926,110 |

The accompanying notes to the financial statements are an integral part of this statement.

THE SOCIETY OF ST. ANDREW, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 1—Summary of significant accounting policies

Basis of Financial Statement Presentation – The financial statements of The Society of St. Andrew, Inc. (the “Society”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Society presents its financial statements according to the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*. Under this topic, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accounting policies considered to be significant are described below.

Accounting Estimates and Assumptions – The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of (when applicable) contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items subject to such estimates and assumptions primarily include the reported amounts of donated and distributed produce and the carrying amounts of certain assets, including land and buildings, accounts receivable, and the carrying amount of (when applicable) non-traditional investments. In the near term, actual results could differ from those estimates.

Cash – The Society places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Society from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2017, the Society had \$288,599 in uninsured balances.

Management’s policy is to maintain a cash and cash investments reserve equal to approximately five to six months of cash expenses in order to minimize the effects of a negative economic or agricultural downturn.

Investments – Investments consist of cash, mortgage backed securities, and common stock. All investments are carried at fair value.

Fair Value Measurements – The carrying value of investments approximates fair value as amounts were derived from quoted market prices, net asset value of investments held, a mid-market quotation from a broker, a bid quotation, or if unavailable or unrepresentative, at their probable realization value as of year end, estimated in good faith by the investment administrator.

The Society follows the Fair Value Measurements topic of the FASB ASC which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. The guidance also establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

- Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 – Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

THE SOCIETY OF ST. ANDREW, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 1—Summary of significant accounting policies (continued)

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

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. There was no change from the prior year in the valuation methodologies.

Cash and Cash Equivalents – Valued at the Net Asset Value of units held by the Society at year end. Investments in cash and cash equivalents are included in Level 1 of the fair value hierarchy.

Common Stock – Valued at the closing price reported on the active market on which the individual securities are traded. Investments in common stock are included in Level 1 of the fair value hierarchy.

Mortgage and Asset Backed Securities – Valued using income approach and are included in Level 2 of the fair value hierarchy due to these securities not having a quoted price in an active market.

Other Investments – Other investment funds are monies invested in a religious organization foundation with pooled accounts. The Society believes the stated value of the investments are reasonable estimates of fair value; however, due to the absence of quoted market prices and the significance of unobservable inputs, investments in private investment organizations are included in Level 3 of the fair value hierarchy.

Accounts Receivable – Consist of reimbursements for freight, packaging, and handling charges that are due from various food banks and other agencies. Management reviews the accounts periodically during the period, and any considered to be uncollectible are charged against income. Recoveries of accounts previously written off are taken into income in the period received. Management believes that accounts receivable at December 31, 2017, are collectible and that no allowance for doubtful accounts is needed.

Property and Equipment – Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives as follows:

| | |
|--------------------------|-------------|
| Buildings | 30-40 years |
| Office equipment | 5-7 years |
| Computer equipment | 5 years |
| Transportation equipment | 5 years |

Expenses for maintenance and repairs are charged against revenue in the year the cost is incurred. Expenditures for additions and major improvements are capitalized and depreciated. Cost and accumulated depreciation are removed from the accounts for property sold or retired, and any resulting gain or loss is included in the statement of activities.

Contributions – Unconditional promises to give are recorded in the period in which the promise is received and allowances are provided for promises estimated to be uncollectible. Promises to give are received from a broad base of individuals, churches, and foundations.

Contributions of cash are reported as temporarily restricted support if they are received with donor stipulations that limit their use or place time restrictions on their use. When donor restrictions are satisfied, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE SOCIETY OF ST. ANDREW, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 1—Summary of significant accounting policies (continued)

Contributions of long-lived assets or cash that are restricted by the donor for acquisition of long-lived assets are reported as temporarily restricted support. The restriction is deemed to lapse ratably over the life of the asset.

Functional Expenses and Allocation – Program expenses include those costs that can be specifically identified with programs, as well as portions of certain indirect costs that, in management's estimation, are attributable to programs. Administrative expenses include those expenses that are not directly identifiable with any other specific program but provide for the overall support and direction of the Society. Administrative expenses are allocated to the specific programs on the basis of management's best estimate.

Advertising – All advertising costs are expensed during the year in which the costs are incurred.

Recently Issued Accounting Standards – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to improve financial statement presentation by not-for-profit organizations. The new guidance requires improved presentation and disclosures to provide more relevant information about resources (and the changes in those resources) to users of the financial statements. A number of areas are affected including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Management has not yet determined the effect on the Society's financial statements.

Subsequent Events – Subsequent events have been evaluated through March 12, 2018, which is the date the financial statements were available to be issued. No transactions requiring disclosure have occurred through this date.

Note 2—Organization

The Society of St. Andrew, Inc. was incorporated under the laws of Virginia on April 11, 1984. The Society was established to provide, on a nonprofit basis, food for those in need, whether by giving the food directly to those in need or through other mechanisms set up to provide food for the needy. The Society also acts as a consultant to churches or other nonprofit groups that are interested in providing food to the needy on their own. Additionally, the Society provides support, education, and religious edification to those in need, with the goal being to promote a more responsible lifestyle.

The Society's work includes the following programs:

The Potato & Produce Project – The focus of this program is on salvaging potatoes and other produce that are considered to be unmarketable due to size or other small flaws. The produce is given to the Society free of charge, but the Society must pay for packaging and freight. Salvaged produce is distributed to food banks and various other organizations. The Potato & Produce Project also purchases seed potatoes for shipment to areas having available land, but lacking the resources to purchase seed. The produce yielded from the seed potatoes goes to the needy in the area or to a food bank.

The Gleaning Network – This program uses volunteers to salvage produce directly from farms and orchards. Salvaged produce is gleaned from fields that have been harvested or is gathered from fields that are donated by farmers. Produce is picked up at the gleaning site by a food bank or other organizations.

THE SOCIETY OF ST. ANDREW, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 2—Organization (continued)

The Harvest of Hope – This is a work/study mission program for all ages where participants spend time studying about the problem of world hunger. Several events are conducted each year. The programs are often conducted in conjunction with a gleaning project and the Harvest of Hope participants take part in salvaging produce for the needy. Participants pay a fee to attend.

Strategic Programs – Initiatives under this program area focus on involving the national church (all denominations) in a dedicated and coordinated effort to end hunger in the United States and elsewhere.

Note 3—Tax status

The Society is a Section 501(c)(3) organization under the Internal Revenue Code (the “Code”) and is exempt from income taxes under Section 501(a) of the Code.

GAAP requires Society management to evaluate tax positions taken by the Society and recognize a tax liability (or asset) if the Society has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. Society management has analyzed the tax positions taken by the Society, and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Society is subject to audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 4—Investments

Investments at December 31, 2017, consisted of the following:

| | <u>Cost</u> | <u>Market Value</u> |
|--------------------------------------|-------------------|---------------------|
| Cash | \$ 75,203 | \$ 75,203 |
| Common stock | 371,971 | 481,088 |
| Mortgage and asset backed securities | 396,250 | 377,497 |
| Other investment funds | 2,500 | 3,560 |
| Total | <u>\$ 845,924</u> | <u>\$ 937,348</u> |

Note 5—Fair value measurements

See *Fair Value Measurements* in Note 1 above for discussions of the methodologies and assumptions used to determine the fair value of the Society’s investments.

THE SOCIETY OF ST. ANDREW, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 5—Fair value measurements (continued)

The following tables summarize the valuation of the Society's financial investments measured at fair value on a recurring basis, based on the level of input utilized to measure fair value:

| | As of December 31, 2017 | | | Total Fair Value |
|--------------------------------------|--|--|--|------------------------|
| | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Cash and cash equivalents: | | | | |
| Cash | \$ 75,203 | \$ - | \$ - | \$ 75,203 |
| Investments: | | | | |
| Common stock | 481,088 | - | - | 481,088 |
| Mortgage and asset backed securities | - | 377,497 | - | 377,497 |
| Other investment funds | - | - | 3,560 | 3,560 |
| Total investments | 481,088 | 377,497 | 3,560 | 862,145 |
| Total | \$ 556,291 | \$ 377,497 | \$ 3,560 | \$ 937,348 |

The table below sets forth a summary of changes in the fair value of the Society's Level 3 assets for the year ended December 31, 2017:

| | |
|---|----------|
| Beginning fair value | \$ 3,165 |
| Investment income, net of investment fees | 34 |
| Net realized and unrealized gains | 361 |
| Ending fair value | \$ 3,560 |

Change in unrealized gains for Level 3 assets included in changes in unrestricted net assets were \$22 for 2017.

Investment income is reported net of related investment fees, which were \$32 for 2017.

Note 6—Capital leases

The Society leases certain office equipment under capital leases. During 2017, the Society entered into three capital leases. Two of the capital leases have 60 month terms and one lease has 48 month terms. Assets capitalized under capital leases totaled \$134,400 as of December 31, 2017. Amortization of assets under capital leases is included in depreciation expense. Accumulated depreciation related to these capital leases was \$16,954 as of December 31, 2017.

THE SOCIETY OF ST. ANDREW, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 6—Capital leases (continued)

Future minimum lease payments related to this lease are as follows:

| Year | Payments |
|-----------------------------------|-----------|
| 2018 | \$ 35,554 |
| 2019 | 33,653 |
| 2020 | 32,702 |
| 2021 | 26,926 |
| 2022 | 20,744 |
| | 149,579 |
| Less amount representing interest | (29,014) |
| | 120,565 |
| Less current maturities | (24,365) |
| | \$ 96,200 |

Note 7—Operating leases

The Society was party to the following operating leases as of December 31, 2017:

Alabama Office – The Society leases office space in Alabama on a month-to-month basis. Payments under this lease are \$111 per month.

Arkansas Office – The Society leases office space in Arkansas on a month-to-month basis. Payments under this lease are \$125 per month.

Florida Office – The Society leases office space in Florida on a month-to-month basis. Payments under this lease are \$110 per month.

Mississippi Office – The Society leases office space in Mississippi on a month-to-month basis. Payments under this lease are \$150 per month.

North Carolina Office – The Society leases office space in North Carolina on a month-to-month basis. Payments under these leases total \$110 per month.

Georgia Office – The Society leases office space in Georgia on a month-to-month basis. Payments under these leases total \$125 per month.

Tennessee Office – The Society leases office space in Tennessee on a month-to-month basis. Payments under these leases total \$200 per month.

Note 8—Internally-designated investment funds

During 2001, the Board of Directors of the Society set aside funds specifically for the growth and development of the anti-hunger programs of the Society. These funds may be withdrawn in extreme circumstances and with two-thirds Board approval. Investment income from these funds may be used to support the programs of the Society.

THE SOCIETY OF ST. ANDREW, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 9—Retirement plan

The Society adopted a 401(k) retirement plan on January 1, 2004. During 2006, the Society made the decision to no longer determine the discretionary contribution annually, but to match employees' 401(k) contributions based on a fixed percentage. Each employee receives an employer contribution of 5% of their salary, and, in addition, if the employee chooses to participate in the plan, the employer will also match employee contributions up to 4% of the employee's salary. Contributions to the plan during 2017 amounted to \$72,688.

Note 10—Donated produce

The Society's Gleaning Network and the Potato & Produce Project programs are the routine beneficiaries of donated produce and supplies which it distributes to food banks and other organizations to be used for the feeding and nourishment of people in need. The Society does not pay for the produce, but is required to pay for its packaging and freight. In connection with the preparation of the accompanying financial statements, management of the Society has estimated the value of this donated produce and has included those estimated amounts as revenue attributable to donated produce and as a component of the expenses associated with the Society's program services. Both the estimated revenue and expense are identical in amount and therefore do not in any way impact the Society's annual change in net assets or its cash flows. Management's estimate of the value of the donated produce, which is based on poundage and government published prices, and the value of donated supplies requires management to exercise a significant amount of judgment. The Society had no inventory of donated produce at December 31, 2017.

Note 11—Donated services

The Society receives services from a variety of unpaid volunteers. Donated services are recognized in the financial statements only if they create or enhance nonfinancial assets or if they require specialized skills and would typically need to be purchased if not provided by donation. During 2017, there were no services meeting the criteria for recognition. The Society also had approximately 36,858 persons volunteering to work about 3 hours each on different gleaning events, resulting in an additional 110,574 volunteer hours during 2017. These hours did not meet the criteria for recognition in the financial statements.

Note 12—Fund raising and administrative expenses

The Society incurred fund raising expenses of \$283,022 and administrative expenses of \$240,875 that amounts to approximately 1.79% and 1.51% respectively, of total revenue, gains, and other support for the year ended December 31, 2017.

Total support and revenue consists of all cash contributions and the non-cash value of donated produce and supplies as defined in Note 10.

Note 13—Self insurance

The Society is self-insured for claims made under its group health insurance plan during the Society's policy year of September 1, 2017 to August 31, 2018. As of December 31, 2017, the Society is self-insured for claims up to \$30,000 on each employee and approximately \$56,000 in aggregate claims during a policy year. As of December 31, 2017, the Society determined that no accrual for claims incurred but not reported or claims reported but not yet paid was necessary.