

FRIEDENS COMMUNITY MINISTRIES, INC.
MILWAUKEE, WISCONSIN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018 AND 2017

FRIEDENS COMMUNITY MINISTRIES, INC.
MILWAUKEE, WISCONSIN

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Independent Auditor's Report

Board of Directors
Friedens Community Ministries, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Friedens Community Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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 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 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 Friedens Community Ministries, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive style.

Krause & Associates, SC
Grafton, Wisconsin
July 16, 2019

FRIEDENS COMMUNITY MINISTRIES, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 50,467	\$ 93,106
Investment	55,592	70,412
Contribution receivable – United Way	27,786	28,944
Grants receivable	-	-
Accounts receivable	15,811	-
Prepaid expenses	<u>20,005</u>	<u>9,981</u>
	<u>169,661</u>	<u>202,443</u>
PROPERTY AND EQUIPMENT		
Equipment	57,091	45,960
Less accumulated depreciation	<u>(19,102)</u>	<u>(15,521)</u>
Total property and equipment	<u>37,989</u>	<u>30,439</u>
TOTAL ASSETS	<u>\$ 207,650</u>	<u>\$ 232,882</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 9,144	\$ 10,283
Deferred revenue	<u>400</u>	<u>10,000</u>
Total liabilities	9,544	20,283
NET ASSETS		
Without donor restrictions	170,320	158,655
With donor restrictions	<u>27,786</u>	<u>53,944</u>
Total net assets	<u>198,106</u>	<u>212,599</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 207,650</u>	<u>\$ 232,882</u>

The accompanying notes are an integral part of these financial statements.

FRIEDENS COMMUNITY MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
	<u>2018</u>		
REVENUE AND SUPPORT			
Contributions	\$ 174,442	\$ -	\$ 174,442
United Way	35,341	27,786	63,127
In-kind			
Donated food	1,592,432	-	1,592,432
Rent	1,500	-	1,500
Other	7,062	-	7,062
Special event:			
Revenue	\$ 41,375		
Expenses	<u>(5,569)</u>	35,806	35,806
Interest and dividends	3,947	-	3,947
Realized gain on investments	3,672	-	3,672
Unrealized gain/(loss)	(7,438)	-	(7,438)
Other	378	-	378
Gain on disposal of assets	1,379	-	1,379
Net assets released from restrictions	<u>53,944</u>	<u>(53,944)</u>	<u>-</u>
Total revenue and support	<u>1,902,465</u>	<u>(26,158)</u>	<u>1,876,307</u>
EXPENSES			
Program services:			
Pantry operations	1,835,176	-	1,835,176
Supporting services:			
Administrative	17,155	-	17,155
Fundraising	<u>38,469</u>	<u>-</u>	<u>38,469</u>
Total expenses	<u>1,890,800</u>	<u>-</u>	<u>1,890,800</u>
Change in net assets	11,665	(26,158)	(14,493)
NET ASSETS, beginning of year	<u>158,655</u>	<u>53,944</u>	<u>212,599</u>
NET ASSETS, end of year	<u>\$ 170,320</u>	<u>\$ 27,786</u>	<u>\$ 198,106</u>

The accompanying notes are an integral part of these financial statements.

FRIEDENS COMMUNITY MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
	<u>2017</u>		
REVENUE AND SUPPORT			
Contributions	\$ 118,482	\$ 25,000	\$ 143,482
United Way	36,060	28,944	65,004
In-kind			
Donated food	1,629,799	-	1,629,799
Special event:			
Revenue	\$ 23,477		
Expenses	<u>(3,310)</u>	20,167	20,167
Interest and dividends	3,784	-	3,784
Realized gain on investments	3,929	-	3,929
Net unrealized gain/(loss)	627	-	627
Other	41	-	41
Gain on disposal of assets	4,906	-	4,906
Net assets released from restrictions	<u>30,649</u>	<u>(30,649)</u>	<u>-</u>
Total revenue and support	<u>1,848,444</u>	<u>23,295</u>	<u>1,871,739</u>
EXPENSES			
Program services:			
Pantry operations	1,847,990	-	1,847,990
Supporting services:			
Administrative	13,992	-	13,992
Fundraising	<u>25,987</u>	<u>-</u>	<u>25,987</u>
Total expenses	<u>1,887,969</u>	<u>-</u>	<u>1,887,969</u>
Change in net assets	(39,525)	23,295	(16,230)
NET ASSETS, beginning of year	<u>198,180</u>	<u>30,649</u>	<u>228,829</u>
NET ASSETS, end of year	<u>\$ 158,655</u>	<u>\$ 53,944</u>	<u>\$ 212,599</u>

The accompanying notes are an integral part of these financial statements.

FRIEDENS COMMUNITY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (14,493)	\$ (16,230)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	9,699	5,769
Gain on disposal of assets	(1,379)	(4,906)
Realized and unrealized (gain) loss on investments	3,766	(4,556)
In-kind donations capitalized	(3,500)	-
(Increase) decrease in receivables	(14,653)	18,535
(Increase) decrease in prepaid expenses	(10,024)	4,298
Increase (decrease) in accounts payable	(1,139)	3,521
Increase (decrease) in deferred revenue	(9,600)	5,000
Net cash provided by (used in) operating activities	(41,323)	11,431
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(28,181)	(32,750)
Proceeds received from disposal of asset	15,812	8,573
Proceeds from sale of investments	15,000	15,000
Investment dividends reinvested	(3,947)	(3,783)
Net cash provided by (used in) investing activities	(1,316)	(12,960)
Net increase (decrease) in cash and cash equivalents	(42,639)	(1,529)
Cash and cash equivalents at beginning of year	93,106	94,635
Cash and cash equivalents at end of year	\$ 50,467	\$ 93,106

Supplemental cash flow information:

In-kind contributions received	\$1,600,994	\$1,629,799
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No cash paid for interest or income taxes during 2018 and 2017.

The accompanying notes are an integral part of these financial statements.

FRIEDENS COMMUNITY MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			
	Program	Supporting Services		Total
	Pantry Operations	Administrative	Fundraising	
OPERATING EXPENSES				
Acquisition of food	\$1,641,538	\$ -	\$ -	\$1,641,538
Depreciation	9,699	-	-	9,699
Maintenance	5,984	-	-	5,984
Office supplies	5,532	576	807	6,915
Payroll related:				
Salaries and wages	86,790	9,746	16,176	112,712
Employee benefits	9,249	963	1,350	11,562
Payroll taxes	6,680	750	1,244	8,674
Postage	249	26	36	311
Professional fees	3,365	351	491	4,207
Rent	18,008	480	672	19,160
Supplies and other	15,226	712	8,167	24,105
Temporary help	11,036	3,551	9,526	24,113
Vehicle	21,820	-	-	21,820
Total expenses	<u>\$1,835,176</u>	<u>\$ 17,155</u>	<u>\$ 38,469</u>	<u>\$1,890,800</u>

	2017			
	Program	Supporting Services		Total
	Pantry Operations	Administrative	Fundraising	
OPERATING EXPENSES				
Acquisition of food	\$1,679,021	\$ -	\$ -	\$1,679,021
Depreciation	5,769	-	-	5,769
Maintenance	3,878	-	-	3,878
Office supplies	5,460	569	796	6,825
Payroll related:				
Salaries and wages	82,643	9,223	15,535	107,401
Employee benefits	10,424	1,086	1,520	13,030
Payroll taxes	6,625	737	1,232	8,594
Postage	187	20	27	234
Professional fees	2,958	308	431	3,697
Rent	18,008	480	672	19,160
Supplies and other	10,771	664	5,548	16,983
Temporary help	7,918	905	226	9,049
Vehicle	14,328	-	-	14,328
Total expenses	<u>\$1,847,990</u>	<u>\$ 13,992</u>	<u>\$ 25,987</u>	<u>\$1,887,969</u>

The accompanying notes are an integral part of these financial statements.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

Friedens Community Ministries, Inc. (Friedens) is a Wisconsin non-stock nonprofit corporation, whose primary purpose is the distribution of food to needy individuals and families in the Milwaukee, WI metropolitan area. The network of four food pantries are located throughout the City of Milwaukee and staffed primarily by volunteers, with the assistance of a small paid staff. Three of the pantries are operated exclusively by Friedens at locations leased by Friedens. The fourth pantry, opened in 2017 and is operated jointly with a local church and is located in the church property.

2. Cash and cash equivalents

For purposes of the statements of cash flows, Friedens considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

3. Accounts and contributions receivables

Friedens determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2018 and 2017, management determined that no allowance for uncollectible accounts receivable was required.

4. Prepaid expenses

Prepaid expenses represent disbursements paid in advance for the subsequent fiscal year.

5. Investments

Friedens records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment income is reported in the statements of activities and consists of interest and dividend income, unrealized capital gains and losses, and realized gains and losses less external investment expenses.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Investments – continued

Investment securities, in general, are inherently subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

6. Property and equipment

Property and equipment are recorded at cost or fair market value if donated. Friedens' policy is to capitalize all tangible assets which separately or in the aggregate have an acquisition cost of \$500 or greater. Major additions and improvements are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets, ranging from 3 to 15 years, using the straight-line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense for the years ended December 31, 2018 and 2017 was \$9,699 and \$5,769, respectively.

7. Deferred revenue

Deferred revenue consists of unearned event revenue received in advance, related to events in the subsequent fiscal year.

8. Net assets

Friedens follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net assets – continued

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Friedens reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

9. Revenue and Revenue Recognition

Revenue is recognized when earned. Special event fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

10. Donated services and in-kind contributions

Volunteers contribute significant amounts of time to Friedens program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Friedens records donated professional services at the respective fair values of the services received (see Note H).

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, supplies, insurance, and other, which are allocated on the basis of estimates of time and effort.

12. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

13. Income taxes

Friedens is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Friedens evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

Friedens' informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for Friedens at December 31, 2018 and 2017. Friedens has not incurred any interest or penalties for income taxes for the years ended December 31, 2018 and 2017.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Change in accounting principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Friedens has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

15. Subsequent Events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through July 16, 2019, which is the date that the financial statements were available to be issued.

B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date of December 31, 2018, comprise the following:

Cash and cash equivalents	\$ 50,467
Other receivable	15,811
Investments	<u>55,592</u>
	<u>\$ 121,870</u>

As part of its liquidity plan, Friedens invests cash in excess of daily requirements in short-term money market funds.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

C – FAIR VALUE MEASUREMENT AND DISCLOSURES

Friedens reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

C – FAIR VALUE MEASUREMENT AND DISCLOSURES – CONTINUED

All of Friedens’s investment assets are classified within Level 1 because they comprise open-end mutual funds and bonds with readily determinable fair values based on daily redemption values.

Assets that were accounted for at fair value on a recurring basis as of December 31, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 55,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,592</u>

Assets that were accounted for at fair value on a recurring basis as of December 31, 2017 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 70,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,412</u>

D – INVESTMENTS

The estimated fair value of Friedens’ investments at December 31, 2018 and 2017 is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investment, mutual funds	<u>\$ 46,618</u>	<u>\$ 55,592</u>	<u>\$ 54,000</u>	<u>\$ 70,412</u>

E – CONTRIBUTIONS RECEIVABLE

At December 31, 2018 and 2017, contributions receivable consist of outstanding donations to Friedens and total \$27,786 and \$28,944, respectively. Friedens considers all contributions receivable to be fully collectible; accordingly, no provision for doubtful accounts is included. If amounts become uncollectible, they will be charged to operations when that determination is made. All contributions receivable amounts are due within 12 months of the year end.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

F – NET ASSETS

Contributions received are recorded as donor restricted net assets depending on the existence and or nature of any donor-imposed restrictions. As restrictions are met and funds expended, assets are released from restrictions. Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018 and 2017:

Purpose restriction	2018	2017
Contributions receivable – timing	\$ 27,786	\$ 28,944
Equipment	-	25,000
	<u>\$ 27,786</u>	<u>\$ 53,944</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

Contributions receivable – timing	\$ 28,944	\$ 28,944
Pantry operations – passage of time	-	1,705
Equipment	25,000	-
	<u>\$ 53,944</u>	<u>\$ 30,649</u>

G – LEASE COMMITMENTS

Friedens operates three pantries under three separate arrangements. Commencing January 1, 2013, Friedens entered into an operating lease for the space in the Marcia Coggs building. Rent expense is \$480 per month. The agreement is perpetual, with 90 days notice of termination required. Rent expense under this lease was \$5,760 and \$5,760 in 2018 and 2017 respectively.

The second pantry, Despensa de la Paz, is located on the near-south side of Milwaukee. This location is operated under an informal agreement, which does not stipulate a rental payment; Friedens recognized a lease contribution to the organization in the amount of \$500 and \$2,000 in 2018 and 2017, respectively. During 2018, Friedens recognized an in-kind contribution of rent related to this space of \$1,500. Friedens recorded \$2,000 and \$2,000 of rent expense related to this space in 2018 and 2017 respectively. Management is working to secure a formal lease for this location.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

G – LEASE COMMITMENTS – CONTINUED

Friedens' third pantry is in the Hope House of Milwaukee the space was leased commencing January 1, 2016 for a term of one year and continues on a month-to-month basis thereafter, with 90 days notice of termination required. Rent expense is \$950 per month. Friedens' recorded \$11,400 and \$11,400 of rent expense related to this space in 2018 and 2017 respectively.

Rent expense was \$19,160 and \$19,160 in 2018 and 2017, respectively. There are no required minimum lease payments.

H – NON-CASH CONTRIBUTIONS AND EXPENDITURES

Friedens receives and distributes food under a government program, The Emergency Food Assistance Program (TEFAP), and other grants. Most of this food is donated to the pantry by the government or other granting agencies. The estimated value of this food is recorded as both revenue and expense at the time of receipt. 1,041,827 and 1,129,173 pounds of food were distributed in this manner in 2018 and 2017, respectively. The value of the donated food is based on fair market value of the donation. If the fair market value is not provided by the donating agency, it is calculated based on the estimated cost per pound. The average cost per pound used to determine the estimated fair market value was \$1.41 and \$1.56 in 2018 and 2017, respectively. As of December 31, 2018, the amount of food on hand was estimated at \$46,617.

During 2018, Friedens received equipment and supplies with a fair market value of \$7,062. \$3,500 of this amount was capitalized as property and equipment on the statements of financial position.

As noted above in Note G, during 2018, Friedens recognized an in-kind contribution of rent of \$1,500.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Friedens' programs. No amounts have been recognized in the statements of activities because the criteria for recognition under U.S. GAAP have not been satisfied.

Friedens received donated personal property which Friedens used as auction and raffle items and supplies for the charity events held during the year ended December 31, 2018 and 2017. Revenue received from the sale of the auction and raffle items is reflected in the statements of activities and no amounts have been reflected for the donation of supplies for the charity events in the statements of activities.

FRIEDENS COMMUNITY MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018 AND 2017

I – CONCENTRATION OF RISK

During the years ended December 31, 2018 and 2017, cash contributions totaling \$155,222 and \$143,803, which represents 56% and 62%, respectively, of the total cash contributions received from four and five major contributors, respectively.