

SCHOOL NUTRITION FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

**SCHOOL NUTRITION FOUNDATION
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YEARS ENDED JULY 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
School Nutrition Foundation
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of School Nutrition Foundation, which comprise the statements of financial position as of July 31, 2019 and 2018, the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended July 31, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' 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.

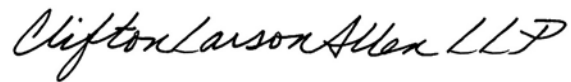
Board of Directors
School Nutrition Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of School Nutrition Foundation as of July 31, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Arlington, Virginia
December 11, 2019

**SCHOOL NUTRITION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,064,060	\$ 5,209,359
Accounts Receivable	13,128	-
Pledges Receivable	10,027	25,249
Prepaid Expenses	1,196	5,701
Total Current Assets	3,088,411	5,240,309
PLEDGES RECEIVABLE, LESS CURRENT PORTION	-	4,576
INVESTMENTS	3,390,020	3,285,667
PROPERTY AND EQUIPMENT		
Furniture and Equipment	614	2,961
Less Accumulated Depreciation	(614)	(2,961)
Total Property and Equipment, Net	-	-
Total Assets	\$ 6,478,431	\$ 8,530,552
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 14,415	\$ 8,081
Due to SNA	87,162	65,417
Deferred Revenue - Grants	239,731	573,940
Grants Payable	2,128,022	3,875,073
Scholarships Payable	83,079	84,741
Total Current Liabilities	2,552,409	4,607,252
NET ASSETS		
Without Donor Restrictions	1,172,213	1,191,883
With Donor Restrictions	2,753,809	2,731,417
Total Net Assets	3,926,022	3,923,300
Total Liabilities and Net Assets	\$ 6,478,431	\$ 8,530,552

See accompanying Notes to Financial Statements.

**SCHOOL NUTRITION FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions	\$ 306,714	\$ 39,088	\$ 345,802	\$ 363,953	\$ 147,784	\$ 511,737
Grants	501,679	-	501,679	332,978	-	332,978
Project Management Income	12,450	-	12,450	19,800	-	19,800
Product Sales	-	-	-	23	-	23
Investment Income, Net	7,174	129,930	137,104	(14,837)	176,258	161,421
Other Revenue	23,010	-	23,010	-	-	-
Release of Program Restrictions	146,626	(146,626)	-	332,533	(332,533)	-
Total Revenue	997,653	22,392	1,020,045	1,034,450	(8,491)	1,025,959
EXPENSES						
Program Services	616,571	-	616,571	529,124	-	529,124
Administration	332,368	-	332,368	362,440	-	362,440
Fundraising	68,384	-	68,384	194,659	-	194,659
Total Expenses	1,017,323	-	1,017,323	1,086,223	-	1,086,223
CHANGE IN NET ASSETS	(19,670)	22,392	2,722	(51,773)	(8,491)	(60,264)
Net Assets - Beginning of Year	1,191,883	2,731,417	3,923,300	1,243,656	2,739,908	3,983,564
NET ASSETS - END OF YEAR	\$ 1,172,213	\$ 2,753,809	\$ 3,926,022	\$ 1,191,883	\$ 2,731,417	\$ 3,923,300

See accompanying Notes to Financial Statements.

**SCHOOL NUTRITION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2019
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018)**

	Program Services					Supporting Services			2019 Total Expenses	2018 Total Expenses
	Grants	Scholarships	Endowment	Other Program Services	Total Program Services	Administration	Fundraising	Total Support Services		
Consultants	\$ 244,998	\$ -	\$ -	\$ 15,118	\$ 260,116	\$ 19,406	\$ 2,449	\$ 21,855	\$ 281,971	\$ 168,105
Salaries	57,116	7,537	-	8,581	73,234	147,003	23,019	170,022	243,256	328,321
Scholarships	-	108,245	-	-	108,245	-	-	-	108,245	106,992
Meetings	43,800	-	-	-	43,800	13,167	32,356	45,523	89,323	64,629
Travel	49,205	1,772	-	1,487	52,464	21,155	1,562	22,717	75,181	56,005
Occupancy	-	-	-	-	-	31,087	-	31,087	31,087	38,165
Bank Processing Service Fees	224	-	-	-	224	2,040	1,373	3,413	3,637	7,450
Grants	-	-	22,920	-	22,920	-	-	-	22,920	91,673
Accounting Fees	-	-	-	-	-	22,653	-	22,653	22,653	22,149
Employee Benefits	9,851	-	-	-	9,851	10,000	-	10,000	19,851	32,858
Marketing/Promotion	2,316	-	-	8,993	11,309	1,602	-	1,602	12,911	10,240
Payroll Taxes	-	-	-	-	-	11,378	-	11,378	11,378	26,004
Legal/License Fees	-	2,000	-	-	2,000	4,120	-	4,120	6,120	5,667
Postage/Shipping	3,958	-	-	167	4,125	733	-	733	4,858	10,249
Office Equipment/Supplies	2,496	-	-	-	2,496	1,641	25	1,666	4,162	1,337
Telephone	-	-	-	167	167	1,873	-	1,873	2,040	2,573
Other Taxes	-	-	-	-	-	33	-	33	33	35
Other Expenses	-	-	-	-	-	-	-	-	-	15,653
Overhead Allocation	5,728	8,803	4,950	6,139	25,620	44,477	7,600	52,077	77,697	98,118
	<u>\$ 419,692</u>	<u>\$ 128,357</u>	<u>\$ 27,870</u>	<u>\$ 40,652</u>	<u>\$ 616,571</u>	<u>\$ 332,368</u>	<u>\$ 68,384</u>	<u>\$ 400,752</u>	<u>\$ 1,017,323</u>	<u>\$ 1,086,223</u>

See accompanying Notes to Financial Statements.

**SCHOOL NUTRITION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,722	\$ (60,264)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Unrealized Loss (Gain) on Investments	51,400	(85,399)
Realized Gain on Sale of Investments	(86,904)	(12,880)
Change in Assets and Liabilities:		
Accounts Receivable	(13,128)	-
Pledges Receivable	19,798	(11,533)
Prepaid Expenses	4,505	(4,284)
Accounts Payable and Accrued Expenses	6,334	586
Due to/from SNA	21,745	97,201
Deferred Revenue	(334,209)	102,262
Grants Payable	(1,747,051)	(1,197,968)
Scholarships Payable	(1,662)	(32,861)
Net Cash Used by Operating Activities	(2,076,450)	(1,205,140)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,656,052)	(232,370)
Proceeds from Sales of Investments	2,587,203	262,981
Net Cash (Used) Provided by Investing Activities	(68,849)	30,611
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,145,299)	(1,174,529)
 Cash and Cash Equivalents - Beginning of Year	5,209,359	6,383,888
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,064,060	\$ 5,209,359

See accompanying Notes to Financial Statements.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The School Nutrition Foundation (the Foundation), established in 1964, focuses on professional development of school food service personnel, school nutrition research and public information about school nutrition and school food service.

The following is a description of the major programs conducted by the Foundation:

Grants

Breakfast in the Classroom (BIC) Grants, funded by the Walmart Foundation, is a consortium of national education and nutrition organizations, including the Food Research & Action Center (FRAC), the Foundation, the NEA Foundation, and the National Association of Elementary School Principals (NAESP) Foundation. The mission of Partners for BIC is to increase breakfast consumption among schoolchildren and spark the academic and nutritional gains associated with the morning meal.

Scholarships

The Foundation provides scholarships for School Nutrition Association (SNA) members to pursue their education and to attend the SNA conferences. The longest standing professional development scholarship provides individual scholarships to active SNA members to pursue school foodservices related coursework at the college/vocational level.

Endowment

The Invest in Us Endowment fund created in 1993 provides a reliable source of income to help fund special public education and awareness efforts targeting all those who influence the eating habits of children as well as the children themselves.

Other Program Services

The Foundation works with certain schools operating as Nutrition Hubs that participate in and maximize all federal child nutrition programs available, in addition to the National School Lunch Program, which includes school breakfast, afterschool meals and summer meals. They help provide children with access to the nutrition they need during the school year and in the summertime. The Foundation also works with National Dairy Council to gain an understanding of attitudes of school nutrition professionals around their level of confidence/trust in dairy as well as identified and developed resources to promote and share innovative strategies employed by school nutrition professionals across the country in areas of sustainable nutrition and increasing participation.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when obligations are incurred.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Standards Update 2016-14

The Foundation has adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (ASU 2016-14) for the year ended July 31, 2019. This standard was issued by the Financial Accounting Standards Board (FASB) to improve the previous net asset classification requirements and the information presented in the financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. ASU 2016-14 reduces the number of net assets classification from three to two: with donor restrictions and without donor restrictions. The ASU also requires nonprofits to report expenses by functional and natural classification in one location in the financial statements, and requires nonprofits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets. As required by ASU 2016-14, the Foundation applied the requirements on a retrospective basis in the year of adoption, except for the statement of functional expenses which is only presented for the current year, as permitted by the ASU.

Adoption of the ASU increased net assets without donor restrictions and decreased net asset with donor restrictions by \$31,079 at July 31, 2017 (opening balances presented on the accompanying statements of activities) resulting from the reclassification of underwater endowment funds as required under the ASU.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Income Taxes

The Foundation is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Foundation currently has no unrelated business income.

The Foundation's income tax returns are subject to review and examination by federal and state authorities. The Foundation is not aware of any activities that would jeopardize its tax-exempt status.

Cash and Cash Equivalents

The Foundation considers certificates of deposit with a maturity of one year or less as cash equivalents. The Foundation does not consider money market funds held in investments to be cash equivalents.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Pledges Receivable

Pledges are recognized when the donor makes an unconditional promise to give and recorded as unrestricted, temporarily or permanently restricted depending on the existence and/or nature of the restrictions. Long-term pledges are discounted to net present value.

Accounts and pledges receivable that are 90 days past due are individually analyzed for collectability. An allowance for doubtful accounts is recorded for receivables and pledges based on management's estimate. When all collection efforts have been exhausted, the accounts are written off. At July 31, 2019 and 2018, there were no allowances for doubtful accounts recorded.

Investments

Investments are reported at their fair value. Accordingly, unrealized gains and losses due to market fluctuations during the year are reflected in the statement of activities. Realized gains and losses are recognized upon sale or disposal.

Fair Value of Financial Instruments

The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Foundation uses a framework for measuring fair value to establish a fair value hierarchy based on the quality of inputs used to measure fair value.

The Foundation has categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets whose values are based on unadjusted quoted prices for identical assets in an active market that the Association has the ability to access. Securities value using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange. Securities valued using Level 1 input includes actively traded mutual funds.

Level 2 – Financial assets whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset. Level 2 inputs include among others, quoted prices for similar assets in active market or non-active markets.

Level 3 – Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives which range from 3 to 5 years. All acquisitions with a value greater than \$500 with expected lives greater than one year are capitalized.

Deferred Revenue

Unspent grant revenue on grants considered exchange transactions are deferred until the funds have been spent for the intended purpose.

Grants Payable

Grants payable consist of re-granting commitments made to various School Districts related to grant funds received by the Foundation and three other nonprofit organizations for which the Foundation is acting as a fiscal agent. The 2019 payables are expected to be paid out during the 2020 fiscal year.

Scholarships Payable

Scholarships are recorded as payables as candidates are identified and approved. The 2019 payables are expected to be paid out during the 2020 fiscal year.

Net Assets

Net assets have been classified based upon the existence or absence of donor imposed restrictions. The classes of net assets are as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions or law.

Net Assets With Donor Restrictions: Net assets subject to donor-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. Contributions with restrictions that are met in the same reporting period the contributions were received are reported as net assets without donor restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The corpus of these donations is invested and earnings are recorded as net assets with donor restrictions until appropriated for spending and utilized for the intended purpose.

Revenue Recognition

Contribution revenue is recognized when contributions or verifiable pledges are received. Grants are received from governmental and private sources and are reported as deemed appropriate in accordance with the grant agreement. For grants reported as exchange transactions, revenue is recognized as expenses are incurred. Additional amounts received for future administrative costs are recorded as deferred revenue. During the current year, the largest grant was part of a multi-year grant from a private corporation and included funds to be distributed to various school districts and for program administration. The portion of funding to be distributed, including amounts already committed, was recorded as a liability.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grant activity is as follows for the fiscal years ended July 31:

	<u>Payable July 31, 2018</u>	<u>Grants Received</u>	<u>Grants Paid</u>	<u>Payable July 31, 2019</u>
Grants	\$ 3,875,073	\$ 1,562,576	\$ (3,309,627)	\$ 2,128,022
	<u>Payable July 31, 2017</u>	<u>Grants Received</u>	<u>Grants Paid</u>	<u>Payable July 31, 2018</u>
Grants	\$ 5,073,041	\$ 5,829,699	\$ (7,027,667)	\$ 3,875,073
	<u>Deferred Revenue July 31, 2018</u>	<u>Grants Received</u>	<u>Grants Earned</u>	<u>Deferred Revenue July 31, 2019</u>
Grant Administration	\$ 570,940	\$ 107,563	\$ (441,772)	\$ 236,731
	<u>Deferred Revenue July 31, 2017</u>	<u>Grants Received</u>	<u>Grants Earned</u>	<u>Deferred Revenue July 31, 2018</u>
Grant Administration	\$ 468,678	\$ 538,026	\$ (435,764)	\$ 570,940

Deferred revenue also includes \$3,000 of non-grant related deferred revenue not reflected in the schedule above for fiscal years ended July 31, 2019 and 2018.

Allocation of Expenses

Costs of providing programs and supporting services are presented on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs including rent and utilities have been allocated among programs and supporting services benefited based on the number of employees by function.

Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 11, 2019, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Foundation to concentrations of credit risk consist of a demand deposit and money market accounts with several financial institutions. Funds in these accounts sometimes exceed the Federal deposit insurance limits.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 3 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, comprise the following as of July 31:

	2019	2018
Cash and Cash Equivalents	\$ 3,064,060	\$ 5,209,359
Investments	3,390,020	3,285,667
Accounts Receivable, Net	13,128	-
Pledges Receivable, Current	10,027	25,249
	6,477,235	8,520,275
Less: Donor Restricted Funds	(2,753,809)	(2,731,417)
	\$ 3,723,426	\$ 5,788,858

As part of its liquidity management, the Foundation structures its financial assets to be available as its general expenditures and liabilities come due. Investments are mostly held for long-term purposes which include donor restricted funds. Although the Foundation does not intend to spend from investments other than the amount budgeted during its annual budget approval and appropriation, amounts from its investments could be made available, if necessary.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable are recorded at the gross amount of the pledge, and are discounted to present value. The Foundation discounts amounts due after one year at a rate determined to be applicable the time the pledge is made. The following represents pledges receivable discounted at 2.94% and expected to be collected in:

	2019	2018
Less than One Year	\$ 10,170	\$ 25,249
One or More Years	-	5,000
Present Value Discount	(143)	(424)
Total	\$ 10,027	\$ 29,825

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 5 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table presents the Foundation's fair value hierarchy for those assets measured at fair value on a recurring basis as of July 31:

	2019			Total
	Level 1	Level 2	Level 3	
Investments				
Mutual Funds-Equities	\$ 1,582,808	\$ -	\$ -	\$ 1,582,808
Mutual Funds-Fixed Income	1,630,199	-	-	1,630,199
Exchange Traded Funds	148,802	-	-	148,802
Money Market Funds	28,211	-	-	28,211
Total	\$ 3,390,020	\$ -	\$ -	\$ 3,390,020
	2018			Total
	Level 1	Level 2	Level 3	
Investments				
Mutual Funds-Equities	\$ 1,407,837	\$ -	\$ -	\$ 1,407,837
Mutual Funds-Fixed Income	1,460,501	-	-	1,460,501
Exchange Traded Funds	406,721	-	-	406,721
Money Market Funds	10,608	-	-	10,608
Total	\$ 3,285,667	\$ -	\$ -	\$ 3,285,667

Investment income consists of the following for the years ended July 31:

	2019	2018
Interest and Dividends	\$ 123,744	\$ 81,917
Realized Gain	86,904	12,880
Unrealized (Loss) Gain	(51,400)	85,399
Investment Fees	(22,144)	(18,775)
Total	\$ 137,104	\$ 161,421

The Foundation invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of July 31:

	<u>2019</u>	<u>2018</u>
<i>Subject to expenditure for specific purpose:</i>		
Annual Meeting	\$ 51,042	37,251
Scholarships	136,629	209,955
Party with a Purpose	3,000	-
<i>Subject to spending policy and appropriation:</i>		
Endowment Funds - Invest in US	2,563,138	2,484,211
Total	<u>\$ 2,753,809</u>	<u>\$ 2,731,417</u>

Net assets released from donor restrictions as follows for the years ended July 31:

	<u>2019</u>	<u>2018</u>
<i>Subject to the passage of time</i>	\$ -	\$ 100,000
<i>Satisfaction of purpose restrictions:</i>		
Annual Meeting	613	18,212
Scholarships	100,443	84,858
<i>Restricted purpose spending-rate appropriations:</i>		
Scholarships - Invest in US	45,570	129,463
Total	<u>\$ 146,626</u>	<u>\$ 332,533</u>

NOTE 7 ENDOWMENTS

Net assets with donor restrictions consist of donor-restricted endowment funds. The principal of the endowment funds is to be held in perpetuity and the net earnings used for programs and scholarships.

Endowment net assets composition by type of fund were as follows as of July 31:

	<u>2019</u>	<u>2018</u>
Donor-restricted Endowment Funds:		
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity	\$ 2,475,909	\$ 2,475,909
Accumulated Investment Gains	87,229	8,302
	<u>\$ 2,563,138</u>	<u>\$ 2,484,211</u>

The Invest in US endowment is dedicated to meeting the nutritional needs of America's school children. Income from this endowment funds special public education and awareness efforts targeting those who influence the eating habits of children as well as the children themselves.

The Nancy Curry Scholarship endowment includes a private endowment donation of \$25,100 where the annual interest is awarded as the Nancy Curry Scholarship each year. Ten percent of the earnings are designated for grant administration expenses.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 7 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The endowment funds are subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA, all unappropriated endowment fund assets are considered restricted. The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts 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 considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gifts donated to the permanent endowment, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The unspent earnings are available for expenditure in subsequent years following appropriation by the Foundation's Board of Directors in a manner consistent with the standard of prudence prescribed by UPMIFA to support activities as specified by the donor.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy approved by the Board of Directors the endowment assets are invested in a manner with long term orientation and without undue exposure to risk.

Over the long term, the Foundation expects to allow its endowment to grow annually, consistent with the Foundation's objectives to maintain the purchasing power of the endowment assets held in-perpetuity and to provide additional real growth through investment returns.

Spending Policy

The Foundation may distribute up to 3.5% of a three-year rolling average of the endowment fund's balance.

**SCHOOL NUTRITION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018**

NOTE 7 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type and changes in endowment net assets for the years ended July 31 is as follows:

	With Donor Restrictions
Endowment Net Assets, July 31, 2017	\$ 2,444,830
Total Investment Return	168,844
Appropriations	(129,463)
Endowment Net Assets, July 31, 2018	2,484,211
Total Investment Return	124,497
Appropriations	(45,570)
Endowment Net Assets, July 31, 2019	\$ 2,563,138

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of July 31, 2019 and 2018.

NOTE 8 RELATED PARTY TRANSACTIONS

The School Nutrition Association (SNA) is a separate organization and does not control the Foundation. The Foundation shares staff and office space at SNA's headquarters and reimburses SNA for its share of the costs. Such costs totaled \$253,331 and \$472,473 for the years ended July 31, 2019 and 2018, respectively. At July 31, 2019 and 2018, \$86,162 and \$65,417, respectively, was owed to SNA.

During the year ended July 31, 2018, the Foundation recognized contributions from SNA in the amount of \$75,000 to support SNF Scholarships to attend 2019 SNA national meetings. No such contribution was made during the year ended July 31, 2019.