



Financial Statements
June 30, 2018

Utah Food Bank

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Independent Auditor's Report

To the Board of Directors of
Utah Food Bank
Salt Lake City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Food Bank (a Utah nonprofit corporation) (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' 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 and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. 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 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 Utah Food Bank as of June 30, 2018, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters*Report on Summarized Comparative Information*

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the operating effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Handwritten signature of Eide Sully LLP in cursive script.

Salt Lake City, Utah
December 6, 2018

Utah Food Bank
Statement of Financial Position
June 30, 2018
(with summarized financial information for 2017)

	2018	2017
Assets		
Cash and cash equivalents	\$ 1,246,276	\$ 3,152,373
Accounts receivable		
Government contracts	711,102	522,383
Promise to give	38,600	134,059
Other	40,404	18,489
Food inventory	2,767,178	2,441,187
Prepaid expenses	59,350	73,313
Investments in certificate of deposit	5,537,232	1,747,122
Land, building and equipment, net of accumulated depreciation	10,710,093	11,038,583
	\$ 21,110,235	\$ 19,127,509
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 542,832	\$ 102,510
Accrued liabilities	606,839	486,960
Contingencies	326,053	326,053
Total liabilities	1,475,724	915,523
Net Assets		
Unrestricted		
Designated		
Food inventory	2,767,178	2,441,187
Property and equipment, net of related debt	10,710,093	11,038,583
Undesignated	5,999,169	4,284,753
Total unrestricted	19,476,440	17,764,523
Temporarily restricted	158,071	447,463
Total net assets	19,634,511	18,211,986
	\$ 21,110,235	\$ 19,127,509

Utah Food Bank
Statement of Activities
Year Ended June 30, 2018
(with summarized financial information for 2017)

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
Public Support and Revenues				
In-Kind Support				
Services	\$ 32,691	\$ -	\$ 32,691	\$ 26,527
Advertising	599	-	599	2,545
Food	70,719,073	-	70,719,073	63,708,978
Other supplies and equipment	121,706	-	121,706	109,653
Total in-kind support	<u>70,874,069</u>	<u>-</u>	<u>70,874,069</u>	<u>63,847,703</u>
Direct Contributions				
Special events	511,227	-	511,227	518,880
Less cost of direct benefit to donors	(196,707)	-	(196,707)	(225,405)
Net special events revenue	314,520	-	314,520	293,475
Contributions	6,971,668	101,600	7,073,268	6,853,188
Grants	2,519,986	56,471	2,576,457	2,857,665
United Way	162,591	-	162,591	236,718
Net assets released from restrictions	447,463	(447,463)	-	-
Total direct contributions	<u>10,416,228</u>	<u>(289,392)</u>	<u>10,126,836</u>	<u>10,241,046</u>
Revenues				
Government contracts	2,435,490	-	2,435,490	2,054,366
Interest income and other	50,290	-	50,290	2,419,060
Total revenues	<u>2,485,780</u>	<u>-</u>	<u>2,485,780</u>	<u>4,473,426</u>
Total public support and revenues	<u>83,776,077</u>	<u>(289,392)</u>	<u>83,486,685</u>	<u>78,562,175</u>
Program Expenses				
Statewide food distribution	75,739,225	-	75,739,225	68,891,292
Direct food programs	2,673,121	-	2,673,121	2,703,791
Total program expenses	<u>78,412,346</u>	<u>-</u>	<u>78,412,346</u>	<u>71,595,083</u>
Support Expenses				
Development	1,796,359	-	1,796,359	1,619,417
Management and general	1,855,455	-	1,855,455	1,868,110
Total support expenses	<u>3,651,814</u>	<u>-</u>	<u>3,651,814</u>	<u>3,487,527</u>
Total expenses	<u>82,064,160</u>	<u>-</u>	<u>82,064,160</u>	<u>75,082,610</u>
Change in Net Assets	1,711,917	(289,392)	1,422,525	3,479,565
Net Assets, Beginning of Year	<u>17,764,523</u>	<u>447,463</u>	<u>18,211,986</u>	<u>14,732,421</u>
Net Assets, End of Year	<u>\$ 19,476,440</u>	<u>\$ 158,071</u>	<u>\$ 19,634,511</u>	<u>\$ 18,211,986</u>

Utah Food Bank
Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized financial information for 2017)

	Statewide Food Distribution	Direct Food Programs	Total Programs	Development	Management and General	Total 2018	Total 2017
Salaries and wages	\$ 2,057,890	\$ 904,264	\$ 2,962,154	\$ 448,913	\$ 1,050,530	\$ 4,461,597	\$ 4,289,824
Payroll taxes and benefits	734,039	268,163	1,002,202	154,618	307,974	1,464,794	1,648,179
Total salaries and related expenses	2,791,929	1,172,427	3,964,356	603,531	1,358,504	5,926,391	5,938,003
Insurance	75,632	8,839	84,471	-	30,269	114,740	108,875
Office supplies	2,936	4,128	7,064	1,283	10,661	19,008	18,784
Postage and printing	4,596	8,997	13,593	44,199	8,514	66,306	54,121
Professional fees	4,749	1,640	6,389	39,979	64,723	111,091	148,928
Project costs	1,731	4,301	6,032	330,916	15,251	352,199	294,604
Direct solicitations	-	-	-	799,681	-	799,681	744,931
Warehouse supplies	215,962	12,906	228,868	-	-	228,868	182,916
Vehicle fuel and taxes	224,706	11,731	236,437	-	-	236,437	208,039
Food transportation	569,522	37,256	606,778	-	-	606,778	287,799
Utilities and property taxes	106,483	21,854	128,337	-	22,728	151,065	150,816
Building and equipment rent	12,630	-	12,630	-	4,000	16,630	21,719
Repairs and maintenance	460,484	14,619	475,103	1,210	43,750	520,063	377,129
Communications	23,759	6,420	30,179	5,124	23,341	58,644	67,507
Travel	12,422	7,644	20,066	6,021	5,614	31,701	34,142
Dues and subscriptions	25,046	1,655	26,701	60,917	9,871	97,489	100,244
Employee training and seminars	9,680	4,052	13,732	8,899	9,628	32,259	25,328
Financial fees	-	-	-	-	85,013	85,013	71,472
Advertising	-	-	-	-	-	-	597
Non-capital equipment purchases	41,618	4,483	46,101	-	38,507	84,608	63,314
Interest expense	-	-	-	-	-	-	116,165
Purchased food	86,202	1,284,671	1,370,873	-	-	1,370,873	1,398,443
In-kind food distribution	70,372,830	9,113	70,381,943	-	-	70,381,943	63,951,284
In-kind services	-	-	-	-	32,691	32,691	27,352
In-kind project supplies	53,618	-	53,618	56,251	-	109,869	94,337
In-kind advertising	-	-	-	599	-	599	2,545
Total before depreciation	75,096,535	2,616,736	77,713,271	1,958,610	1,763,065	81,434,946	74,489,394
Depreciation	642,690	56,385	699,075	34,456	92,390	825,921	818,621
Total expenses by function	75,739,225	2,673,121	78,412,346	1,993,066	1,855,455	82,260,867	75,308,015
Less expenses included with revenues on the statement of activities							
Cost of direct benefit to donors	-	-	-	(196,707)	-	(196,707)	(225,405)
Total expenses included in the expense section in the statement of activities	\$ 75,739,225	\$ 2,673,121	\$ 78,412,346	\$ 1,796,359	\$ 1,855,455	\$ 82,064,160	\$ 75,082,610

See Notes to Financial Statements

Utah Food Bank
Statement of Cash Flows
Year Ended June 30, 2018
(with summarized financial information for 2017)

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ 1,422,525	\$ 3,479,565
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	825,921	818,621
(Gain) loss on disposal of equipment	(4,750)	4,723
In-kind food support	(70,719,073)	(63,708,978)
In-kind food distribution	70,381,943	63,951,284
In-kind equipment donations	(8,175)	(23,580)
Gain on exercise of new market tax credit option	-	(2,358,150)
Changes in assets and liabilities		
Government contracts receivable	(188,719)	(280,478)
Other receivables	(60,515)	(142,152)
Food inventory	11,139	128,281
Prepaid expenses	13,963	(73,313)
Accounts payable	440,322	(447,262)
Accrued liabilities	119,879	44,224
Contingencies	-	326,053
Net Cash from Operating Activities	<u>2,234,460</u>	<u>1,718,838</u>
Investing Activities		
Purchase of new market tax credit notes	-	(234,400)
Purchase of certificates of deposit	(4,263,060)	(4,901,203)
Proceeds from sales/maturities of certificates of deposit	472,950	4,022,827
Proceeds from sale of equipment	4,750	-
Purchase of land, building, and equipment	(489,256)	(659,306)
Net Cash Used for Investing Activities	<u>(4,274,616)</u>	<u>(1,772,082)</u>
Financing Activities		
Receipts of temporarily restricted pledges	134,059	13,000
Payments on note payable	-	(704,036)
Net Cash From (Used for) Financing Activities	<u>134,059</u>	<u>(691,036)</u>
Net Change in Cash and Cash Equivalents	(1,906,097)	(744,280)
Cash and Cash Equivalents, Beginning of Year	<u>3,152,373</u>	<u>3,896,653</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,246,276</u>	<u>\$ 3,152,373</u>

Note 1 - Organization and Significant Accounting Policies

Utah Food Bank (the Organization) is a nonprofit organization established in 1904 to provide various community services to other agencies and to individuals in need. Utah Food Bank currently operates from two main facilities – one in Saint George, Utah and one in Salt Lake City, Utah, which allows the Organization’s efforts to reach individuals throughout the state of Utah. The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization’s operations.

The accompanying financial statements have been prepared in accordance with standards for nonprofit organizations adopted by the American Institute of Certified Public Accountants. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when received, promises to give are recorded when promised and collection is reasonably assured, and grant revenues are recorded when earned.

Comparative Financial Information

Financial information for the fiscal year ended June 30, 2017, is included for comparison only and is not complete. The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to other long-term purposes are excluded from this definition. In addition, management also considers money market funds to be cash equivalents.

Program and Support Services – Support and program services provided by the Organization are as follows:

Statewide Food Distribution – The operations department at the Utah Food Bank is responsible for collecting, storing and distributing millions of pounds of food each year to partner food pantries and agencies throughout the State of Utah. This includes the Grocery Rescue Program where fresh and perishable food nearing expiration is picked up daily from grocery retailers and immediately taken to food pantries. The operations department is responsible for the: buildings, fleet of vehicles, warehouse safety, maintenance, cleanliness, and efficient and accurate movement of product. The department also includes the Organization’s Chief Operating Officer.

Direct Food Programs – These include the departments of the Utah Food Bank that are responsible for direct and indirect food distribution service to clients and agencies. These programs include: Mobile School Pantry Program, Community Mobile Program, Food Box Program, Kids Cafe Program, BackPack Program, and agency relations

Development – The development department at Utah Food Bank is responsible for all fund raising, marketing, public relations, food procurement, and volunteer efforts of the Organization. This department also includes the Organization’s Chief Development Officer.

Management and General – Management and general consists of the finance, human resources, and general office support functions of the Organization. The department also houses portions of the Organization’s leadership, most notably the Chief Executive Officer and the Chief Financial Officer.

Inventory

Inventory consists principally of donated food which is valued at a nationally established price consistently applied. The price was \$1.52 per pound for food received from federal programs and \$1.73 per pound for all other food and related items received from July 1, 2017 through December 31, 2017. Beginning on January 1, 2018 and through June 30, 2018, the price was \$1.57 per pound for food received from federal programs and \$1.68 per pound for all other food and related items. The Organization applies these two different prices, depending on the source, because the commodities from the federal programs consist solely of food, while other donations can at times include non-food items.

Property and Equipment

Property and equipment additions over \$3,000 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years for equipment and ten to forty years for buildings and improvements or, in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is 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.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2018.

Investments

The Organization holds certificates of deposit with original maturities exceeding ninety days but less than one year. The Organization has not elected the fair value reporting option for this other type of investment, and the balance is therefore reported at cost in the accompanying financial statements. Net investment return is reported with interest income in the statement of activities and consists of interest income, less investment management and custodial fees.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts 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.

Contributions and Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for certain purposes or due to their nonspendable nature. The government contracts are received on a reimbursement basis. All restrictions placed on the money are met when the money is spent and the receivable is recognized. The Organization has elected to record the revenue from the government contracts as unrestricted.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by our Board of Directors.

The Organization reports contributions restricted by donors as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by our actions. The restrictions stipulate that resources be maintained permanently but permit us to expend the income generated in accordance with the provisions of the agreements. As of June 30, 2018, the Organization does not have any permanently restricted net assets.

In-Kind Support

The Organization receives donations from a variety of sources for services and products in the furtherance of its objectives. The in-kind support consists principally of food donated for distribution to food pantries, advertising contributed by the local major media, and goods and service items donated by companies and individuals. Contributed materials and equipment are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

In addition to the recorded in-kind support, the Organization receives substantial assistance from volunteers who donate significant amounts of their time in program services and food donation campaigns. Time donated for work that does not require a professional or craftsman cannot be recorded on the financial statements. Volunteer hours (unaudited) which fall into this category were 101,022 for the year ended June 30, 2018. For management purposes, unrecorded volunteer hours were tracked at a value of \$24.69 per hour for the year ended June 30, 2018. The value of volunteer hours (unaudited) donated to the Organization was \$2,494,233 for the year ended June 30, 2018.

Shipping and Handling Costs

Transportation costs reimbursed by government agencies are considered to be government contract revenue and related transportation costs are included in program expenses.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$599 for the year ended June 30, 2018, of which \$599 was in-kind.

Functional Allocation of Expenses

The costs of providing the various programs and services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

Income Taxes

The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah tax regulations and, therefore, is not subject to federal or state income taxes in regard to its exempt activities. The Organization has been determined not to be a private foundation under Sections 509(a)(1) and (3).

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. When applicable, the Organization files Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

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

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in certificates of deposit. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of the Organization's mission.

Recently Issued Accounting Guidance

In August 2016, the FASB issued Accounting Standards Update No. 2016-14: *Not-for-Profit Entities*. This new guidance stipulates that net assets be reported in two classes – net assets with donor restrictions and net assets without donor restrictions – rather than the currently required three classes. A number of enhanced disclosures covering various topics will also be required. This new guidance is effective for annual financial statements for fiscal years beginning after December 15, 2017. The Organization plans to implement this new guidance in its financial statements for the year ending June 30, 2019. The Organization is currently evaluating how this new guidance will affect the Organization's financial statements.

Subsequent Events

Subsequent events have been evaluated through December 6, 2018, the date the financial statements were available to be issued.

Note 2 - Inventory

The following table indicates the inventory activity for the year ended June 30, 2018:

	<u>Pounds</u>	<u>Dollars</u>
Beginning food inventory	1,513,367	\$ 2,441,187
Inventory valuation change		
Food received (donations and purchases)	43,863,193	72,682,334
Food shipped and other adjustments	<u>(43,664,246)</u>	<u>(72,356,343)</u>
Ending food inventory	<u>1,712,314</u>	<u>\$ 2,767,178</u>

Donated inventory was valued at \$1.68 or \$1.57 per pound, depending on the type, as of June 30, 2018, which values were nationally established. Purchased inventory is valued at the lower of cost or net realizable value determined by the first-in, first-out method.

Note 3 - Land, Building and Equipment

The carrying value of land, building and equipment as of June 30, 2018 was as follows:

	Useful Life	Balance
Land		\$ 1,851,633
Building and improvements	10-40 years	9,468,667
Furniture, vehicles and equipment	3-10 years	5,460,136
Total cost		16,780,436
Less accumulated depreciation		(6,070,343)
Net land, building and equipment		\$ 10,710,093

The Organization recognized depreciation expense of \$825,921 during the year ended June 30, 2018.

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 consists of the following:

Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	\$ 38,600
Restricted by donors for	
Building improvements	31,471
Mobile school pantry	25,000
Other time restrictions (proceeds are not restricted by donors)	63,000
	\$ 158,071

Note 5 - Employee Benefit Plan

The Organization has adopted a 403(b) Thrift Plan for its employees whereby employees can contribute a certain percentage of their compensation. The Organization may also contribute to the plan, at the Organization's discretion. The Organization made contributions of \$288,643 for the plan year ended June 30, 2018. See also Note 7.

Note 6 - Related Party Transactions

During the year ended June 30, 2018, the Organization purchased \$196,627 of fuel through a shipping company of which one of the board members is the President.

Note 7 - Contingencies

During the year ended June 30, 2017, the Organization's management became aware that there were certain provisions of the Organization's 403(b) employee benefit plan that the Organization had not been following correctly to calculate certain contributions. The Organization is in the process of formulating a plan to voluntarily correct these errors and/or to amend the employee benefit plan documents. The Organization has determined that a liability likely exists, related to previous fiscal years, with respect to additional plan contributions and/or penalties associated with this matter, and has estimated and recognized a contingent liability of \$326,053.