

**Food Bank of the State College Area, Inc.**

Financial Statements

December 31, 2014 and 2013



**BAKER TILLY**

Candor. Insight. Results.

# **Food Bank of the State College Area, Inc.**

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Table of Contents

December 31, 2014 and 2013

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to Financial Statements	8



formerly  
PARENTEBEARD

Baker Tilly Virchow Krause, LLP  
220 Regent Ct, Ste C  
State College, PA 16801-7969  
tel 814 237 6586  
tel 800 267 9405  
fax 888 264 9617  
bakertilly.com

## Independent Auditors' Report

Board of Directors  
Food Bank of the State College Area, Inc.

We have audited the accompanying financial statements of Food Bank of the State College Area, Inc., which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows 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.

### 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 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 Food Bank of the State College Area, Inc. as of December 31, 2014 and 2013, 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.

*Baker Tilly Virchow Krause, LLP*

State College, Pennsylvania  
April 14, 2015

**Food Bank of the State College Area, Inc.**

## Statement of Financial Position

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 707,709	\$ 813,167
Gift card inventory	5,312	7,288
Prepaid expenses	4,746	4,777
Contributions receivable	-	1,260
	<hr/>	<hr/>
Total current assets	717,767	826,492
<b>Deferred Financing Costs, Net</b>	15,858	16,739
<b>Property and Equipment, Net</b>	<u>1,090,247</u>	<u>946,113</u>
	<hr/>	<hr/>
Total assets	<u><u>\$ 1,823,872</u></u>	<u><u>\$ 1,789,344</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 32,764	\$ 27,063
Accounts payable	1,599	6,277
Accrued vacation	5,415	3,050
Payroll taxes payable	4,123	2,979
Deferred grant revenue	2,341	4,445
	<hr/>	<hr/>
Total current liabilities	46,242	43,814
<b>Long-Term Debt</b>	<u>536,747</u>	<u>712,671</u>
	<hr/>	<hr/>
Total liabilities	<u>582,989</u>	<u>756,485</u>
<b>Net Assets</b>		
Unrestricted	1,240,883	1,030,599
Temporarily restricted	-	2,260
	<hr/>	<hr/>
Total net assets	<u>1,240,883</u>	<u>1,032,859</u>
	<hr/>	<hr/>
Total liabilities and net assets	<u><u>\$ 1,823,872</u></u>	<u><u>\$ 1,789,344</u></u>

See notes to financial statements

# Food Bank of the State College Area, Inc.

## Statement of Activities

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Unrestricted Net Assets</b>		
Revenues:		
Donations	\$ 461,471	\$ 339,837
Special events	69,305	-
United Way	66,897	61,319
Grants	9,069	9,454
Net assets released from restriction	2,260	-
Interest and dividends	692	4,037
	<u>609,694</u>	<u>414,647</u>
Total revenues	609,694	414,647
Gains,		
Realized gain on sale of investments	-	26,644
	<u>609,694</u>	<u>441,291</u>
Total revenues and gains	609,694	441,291
Expenses:		
Program	339,743	263,790
Administrative	42,052	28,656
Fundraising	17,615	14,735
	<u>399,410</u>	<u>307,181</u>
Total expenses	399,410	307,181
Losses,		
Unrealized loss on investments	-	15,318
	<u>399,410</u>	<u>322,499</u>
Total expenses and losses	399,410	322,499
<b>Increase in Unrestricted Net Assets</b>	<u>210,284</u>	<u>118,792</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	-	2,260
Net assets released from restriction	(2,260)	-
	<u>(2,260)</u>	<u>2,260</u>
<b>(Decrease) Increase in Temporarily Restricted Net Assets</b>	(2,260)	2,260
<b>Increase in Net Assets</b>	208,024	121,052
<b>Net Assets, Beginning</b>	<u>1,032,859</u>	<u>911,807</u>
<b>Net Assets, Ending</b>	<u>\$ 1,240,883</u>	<u>\$ 1,032,859</u>

See notes to financial statements

## Food Bank of the State College Area, Inc.

### Statement of Functional Expenses

Year Ended December 31, 2014

	<u>Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>
Salaries	\$ 126,470	\$ 101,176	\$ 12,647	\$ 12,647
Food purchases	105,259	105,259	-	-
Depreciation and amortization	38,883	31,106	7,777	-
Utilities and rent	27,059	21,647	5,412	-
Interest	24,342	19,474	4,868	-
Other operating	21,624	17,300	2,162	2,162
Food pantry	13,412	13,412	-	-
Payroll taxes	10,700	8,560	1,070	1,070
Office supplies	10,201	8,161	1,020	1,020
Employee benefits	7,159	5,727	716	716
Insurance	7,012	5,610	1,402	-
Audit	4,400	-	4,400	-
Telephone	2,889	2,311	578	-
Total	<u>\$ 399,410</u>	<u>\$ 339,743</u>	<u>\$ 42,052</u>	<u>\$ 17,615</u>

See notes to financial statements

## Food Bank of the State College Area, Inc.

### Statement of Functional Expenses

Year Ended December 31, 2013

	<u>Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>
Salaries	\$ 103,807	\$ 83,045	\$ 10,381	\$ 10,381
Food purchases	93,565	93,565	-	-
Utilities and rent	26,505	21,204	5,301	-
Office supplies	13,121	10,497	1,312	1,312
Other operating	13,074	10,459	1,308	1,307
Depreciation and amortization	10,628	8,502	2,126	-
Payroll taxes	9,592	7,674	959	959
Food pantry	8,103	8,103	-	-
Employee benefits	7,763	6,211	776	776
Insurance	6,286	5,029	1,257	-
Grants	4,559	4,559	-	-
Interest	4,495	3,596	899	-
Audit	4,000	-	4,000	-
Telephone	1,683	1,346	337	-
Total	<u>\$ 307,181</u>	<u>\$ 263,790</u>	<u>\$ 28,656</u>	<u>\$ 14,735</u>

See notes to financial statements



**Food Bank of the State College Area, Inc.**

## Statement of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from donations and governmental agencies	\$ 597,413	\$ 400,631
Cash paid to employees and vendors	(359,689)	(299,365)
Interest and dividends received	9,069	9,454
	<u>246,793</u>	<u>110,720</u>
Net cash provided by operating activities	<u>246,793</u>	<u>110,720</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	-	663,196
Purchase of investments	-	(3,600)
Proceeds from sale of property and equipment	300	-
Purchase of property and equipment	(182,328)	(950,000)
	<u>(182,028)</u>	<u>(290,404)</u>
Net cash used in investing activities	<u>(182,028)</u>	<u>(290,404)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt	-	743,750
Payment of deferred financing costs	-	(17,620)
Principal repayments on long-term debt	(170,223)	(4,016)
	<u>(170,223)</u>	<u>722,114</u>
Net cash (used in) provided by financing activities	<u>(170,223)</u>	<u>722,114</u>
<b>(Decrease) Increase in Cash</b>	<u>(105,458)</u>	<u>542,430</u>
<b>Cash, Beginning</b>	<u>813,167</u>	<u>270,737</u>
<b>Cash, Ending</b>	<u>\$ 707,709</u>	<u>\$ 813,167</u>
<b>Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities</b>		
Increase in net assets	\$ 208,024	\$ 121,052
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized loss on investments	-	15,318
Realized gain on sale of investments	-	(26,644)
Depreciation and amortization	38,883	10,628
(Gain) loss on disposal of property and equipment	(108)	894
Contributed stock	-	(4,397)
Change in assets and liabilities:		
Contributions receivable	1,260	(1,260)
Gift card inventory	1,976	(3,391)
Prepaid expenses	31	(4,777)
Accounts payable	(4,678)	2,010
Accrued vacation	2,365	3,050
Payroll taxes payable	1,144	296
Deferred grant revenue	(2,104)	(2,059)
	<u>(2,104)</u>	<u>(2,059)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 246,793</u>	<u>\$ 110,720</u>

See notes to financial statements

# Food Bank of the State College Area, Inc.

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Notes to Financial Statements  
December 31, 2014 and 2013

## 1. Nature of Operations and Summary of Significant Accounting Policies

### Nature of Operations

Food Bank of the State College Area, Inc. (the "Organization") provides food to needy individuals in State College Area School District and upper Bald Eagle Valley.

The Organization evaluated subsequent events for recognition or disclosure through April 14, 2015, the date the financial statements were available to be issued.

### 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.

### Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue.

### Gift Card Inventory

Gift card inventory consists of grocery gift cards. These gift cards are valued at their cash value.

### Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and amortized over the term of the related debt using a method which approximates the interest method.

### Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Major improvements are capitalized. Repairs and maintenance are expensed.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building	40
Equipment	5 - 10

## **Food Bank of the State College Area, Inc.**

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Notes to Financial Statements  
December 31, 2014 and 2013

### **Donor Restricted Gifts**

Contributions received are recorded as increases in unrestricted, temporary restricted or permanently restricted net assets, depending on the existence and nature of any donor restrictions. When a donor restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### **Deferred Grant Revenue**

Deferred grant revenue represents governmental grants received but unexpended as of year end.

### **Income Taxes**

The Organization is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Service Code.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2014 and 2013.

The Organization's federal income tax returns for the years subsequent to 2010 remain subject to examination by the Internal Revenue Service.

### **New Accounting Standards**

In October 2012, the FASB issued ASU 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale of Proceeds of Donated Financial Assets in the Statement of Cash Flows*. This amendment addresses the diversity in practice with regard to the presentation of cash receipts from the sale of donated assets in the statement of cash flows. Under this update, a non-for-profit entity will be required to classify cash receipts from the sale of donated financial assets as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. The guidance is prospective and management does not believe that adoption of this ASU will have significant impact on the Organization's financial position or results of operations.

### **Reclassifications**

Certain 2013 amounts have been reclassified to conform with the 2014 presentation.

## Food Bank of the State College Area, Inc.

Notes to Financial Statements  
December 31, 2014 and 2013

### 2. Property and Equipment, Net

	<u>2014</u>	<u>2013</u>
Land	\$ 25,000	\$ 25,000
Building	1,035,521	925,000
Equipment	92,681	42,732
Accumulated depreciation	<u>(62,955)</u>	<u>(46,619)</u>
Property and equipment, net	<u>\$ 1,090,247</u>	<u>\$ 946,113</u>

### 3. Long-Term Debt

Long-term debt consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Mortgage payable in monthly payments of \$4,255, including principal and interest at 3.3%; final unpaid principal is due October 2018; secured by real estate	\$ 569,511	\$ 739,734
Current portion	<u>(32,764)</u>	<u>(27,063)</u>
Long-term debt	<u>\$ 536,747</u>	<u>\$ 712,671</u>

Scheduled principal repayments at December 31, 2014 are as follows:

Years ending December 31:	
2015	\$ 32,764
2016	33,861
2017	34,996
2018	<u>467,890</u>
Total	<u>\$ 569,511</u>

### 4. Retirement Plan

The Organization sponsors a defined contribution retirement plan. Pension expense was \$7,159 in 2014 and \$7,012 in 2013.

## **Food Bank of the State College Area, Inc.**

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Notes to Financial Statements  
December 31, 2014 and 2013

### **5. FEMA Grants**

FEMA grants were used for food purchases.

### **6. Food Purchases**

Food purchases represent food purchased through vendors. The dollar amount of donated food is not reported in the financial statements because the donated food is passed through directly to the recipient.

### **7. Concentration of Credit Risk**

The Organization maintains its cash accounts at four local financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation to \$250,000.