

Food Bank of the State College Area, Inc.

Financial Statements

December 31, 2016 and 2015



BAKER TILLY

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Food Bank of the State College Area, Inc.

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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, 2016 and 2015, 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, 2016 and 2015, 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
May 5, 2017

Food Bank of the State College Area, Inc.

Statement of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash	\$ 713,691	\$ 760,086
Grants receivable	-	1,723
Gift card inventory	5,776	12,806
Prepaid expenses	2,276	2,359
Total current assets	721,743	776,974
Property and Equipment, Net	<u>1,051,526</u>	<u>1,092,999</u>
Total assets	<u>\$ 1,773,269</u>	<u>\$ 1,869,973</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ -	\$ 37,511
Accounts payable	3,102	1,305
Accrued vacation	7,081	7,021
Deferred grant revenue	673	-
Total current liabilities	10,856	45,837
Long-Term Debt	<u>-</u>	<u>375,313</u>
Total liabilities	10,856	421,150
Net Assets		
Unrestricted	<u>1,762,413</u>	<u>1,448,823</u>
Total liabilities and net assets	<u>\$ 1,773,269</u>	<u>\$ 1,869,973</u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Statement of Activities

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets		
Revenues:		
Donations	\$ 646,327	\$ 456,252
United Way	63,965	68,939
Grants	11,372	15,424
Interest and dividends	619	619
Special events	500	73,702
	<u>722,783</u>	<u>614,936</u>
Total revenues		
Expenses:		
Program	345,071	343,413
Administrative	45,057	43,826
Fundraising	19,065	19,757
	<u>409,193</u>	<u>406,996</u>
Total expenses		
Increase in net assets	313,590	207,940
Net Assets, Beginning	<u>1,448,823</u>	<u>1,240,883</u>
Net Assets, Ending	<u>\$ 1,762,413</u>	<u>\$ 1,448,823</u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Statement of Functional Expenses

Year Ended December 31, 2016

	<u>Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>
Salaries	\$ 127,797	\$ 102,237	\$ 12,780	\$ 12,780
Food purchases	93,476	93,476	-	-
Depreciation and amortization	62,805	50,244	12,561	-
Other operating	30,216	24,172	3,022	3,022
Food pantry	15,908	15,908	-	-
Interest	15,216	12,173	3,043	-
Utilities and rent	15,157	12,126	3,031	-
Office supplies	14,039	11,231	1,404	1,404
Payroll taxes	10,611	8,489	1,061	1,061
Employee benefits	7,980	6,384	798	798
Insurance	7,686	6,149	1,537	-
Audit	5,200	-	5,200	-
Telephone	3,102	2,482	620	-
Total	<u>\$ 409,193</u>	<u>\$ 345,071</u>	<u>\$ 45,057</u>	<u>\$ 19,065</u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Statement of Functional Expenses

Year Ended December 31, 2015

	<u>Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>
Salaries	\$ 131,418	\$ 105,134	\$ 13,142	\$ 13,142
Food purchases	94,473	94,473	-	-
Depreciation and amortization	44,024	35,219	8,805	-
Other operating	34,148	27,318	3,415	3,415
Utilities and rent	23,571	18,857	4,714	-
Interest	18,355	14,684	3,671	-
Food pantry	14,617	14,617	-	-
Payroll taxes	12,658	10,126	1,266	1,266
Office supplies	11,279	9,023	1,128	1,128
Employee benefits	8,061	6,449	806	806
Insurance	6,664	5,331	1,333	-
Audit	5,000	-	5,000	-
Telephone	2,728	2,182	546	-
Total	<u>\$ 406,996</u>	<u>\$ 343,413</u>	<u>\$ 43,826</u>	<u>\$ 19,757</u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Statement of Cash Flows

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from donations and governmental agencies	\$ 724,560	\$ 595,448
Cash paid to employees and vendors	(337,418)	(370,890)
Interest and dividends received	619	15,424
	<u>387,761</u>	<u>239,982</u>
Net cash provided by operating activities	387,761	239,982
Cash Flows used in Investing Activities		
Purchase of property and equipment	(6,355)	(45,895)
Cash Flows used in Financing Activities		
Principal repayments on long-term debt	(427,801)	(141,710)
	<u>(46,395)</u>	<u>52,377</u>
(Decrease) increase in cash	(46,395)	52,377
Cash, Beginning	<u>760,086</u>	<u>707,709</u>
Cash, Ending	<u>\$ 713,691</u>	<u>\$ 760,086</u>
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities		
Increase in net assets	\$ 313,590	\$ 207,940
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	62,805	44,024
Change in assets and liabilities:		
Grants receivable	1,723	(1,723)
Gift card inventory	7,030	(7,494)
Prepaid expenses	83	2,387
Accounts payable	1,797	(294)
Accrued vacation	60	1,606
Payroll taxes payable	-	(4,123)
Deferred grant revenue	673	(2,341)
	<u>673</u>	<u>(2,341)</u>
Net cash provided by operating activities	<u>\$ 387,761</u>	<u>\$ 239,982</u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Notes to Financial Statements
December 31, 2016 and 2015

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 security, directly or indirectly, to people in Centre County, Pennsylvania.

The Organization evaluated subsequent events for recognition or disclosure through May 5, 2017, 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.

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

Donor Restricted Gifts

Contributions received are recorded as increases in unrestricted, temporarily 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.

Food Bank of the State College Area, Inc.

Notes to Financial Statements
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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 2016 and 2015.

Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

New Accounting Standards Adopted

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Under the new guidance, debt issuance costs related to a recognized debt liability are presented as a direct reduction to the carrying amount of that debt liability. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The Organization elected to adopt the guidance in 2016. ASU 2015-03 is to be applied retrospectively, and as a result, the guidance was retrospectively applied to fiscal 2015. The adoption of the standard did not have a significant impact on the Organization’s statement of financial position or results of operations.

In May 2014, the FASB Issued ASU 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance was issued that outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2017. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018. The Organization is assessing the impact this new standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit’s liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provision. The Organization is assessing the impact this standard will have on its financial statements.

Food Bank of the State College Area, Inc.

Notes to Financial Statements
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2. Property and Equipment, Net

	<u>2016</u>	<u>2015</u>
Land	\$ 25,000	\$ 25,000
Building	1,049,384	1,049,384
Equipment	110,751	110,610
Accumulated depreciation	<u>(133,609)</u>	<u>(91,995)</u>
Property and equipment, net	<u>\$ 1,051,526</u>	<u>\$ 1,092,999</u>

3. Long-Term Debt

Long-term debt consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mortgage payable in monthly payments of \$4,255, including principal and interest at 3.3%; repaid in 2016	\$ -	\$ 427,801
Deferred financing costs	<u>-</u>	<u>(14,977)</u>
Total	-	412,824
Current portion	<u>-</u>	<u>(37,511)</u>
Long-term debt	<u>\$ -</u>	<u>\$ 375,313</u>

4. Retirement Plan

The Organization sponsors a defined contribution retirement plan. Pension expense was \$7,980 in 2016 and \$8,061 in 2015.

5. FEMA Grants

FEMA grants were used for food purchases.

Food Bank of the State College Area, Inc.

Notes to Financial Statements
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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 local financial institutions. Accounts at these institutions are insured up to \$250,000. The Organization maintains cash balances in excess of this amount and historically has not experienced any credit related losses.