

Food Bank of the State College Area, Inc.

Financial Statements

December 31, 2015 and 2014



BAKER TILLY

Candor. Insight. Results.

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, 2015 and 2014, 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, 2015 and 2014, 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 Viechow Krause, LLP

State College, Pennsylvania
April 25, 2016

Food Bank of the State College Area, Inc.

Statement of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash	\$ 760,086	\$ 707,709
Grants receivable	1,723	-
Gift card inventory	12,806	5,312
Prepaid expenses	2,359	4,746
	<hr/>	<hr/>
Total current assets	776,974	717,767
Deferred Financing Costs, Net	14,977	15,858
Property and Equipment, Net	<hr/>	<hr/>
	1,092,999	1,090,247
	<hr/>	<hr/>
Total assets	<u>\$ 1,884,950</u>	<u>\$ 1,823,872</u>
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	\$ 37,511	\$ 32,764
Accounts payable	1,305	1,599
Accrued vacation	7,021	5,415
Payroll taxes payable	-	4,123
Deferred grant revenue	-	2,341
	<hr/>	<hr/>
Total current liabilities	45,837	46,242
Long-Term Debt	<hr/>	<hr/>
	390,290	536,747
	<hr/>	<hr/>
Total liabilities	436,127	582,989
Net Assets		
Unrestricted	<hr/>	<hr/>
	1,448,823	1,240,883
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,884,950</u>	<u>\$ 1,823,872</u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Statement of Activities

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Unrestricted Net Assets		
Revenues:		
Donations	\$ 456,252	\$ 461,471
Special events	73,702	69,305
United Way	68,939	66,897
Grants	15,424	9,069
Interest and dividends	619	692
Net assets released from restriction	-	2,260
	<u>614,936</u>	<u>609,694</u>
Total revenues		
Expenses:		
Program	343,413	339,743
Administrative	43,826	42,052
Fundraising	19,757	17,615
	<u>406,996</u>	<u>399,410</u>
Total expenses		
Increase in unrestricted net assets	207,940	210,284
Temporarily Restricted Net Assets		
Net assets released from restriction	-	(2,260)
	<u>207,940</u>	<u>208,024</u>
Increase in net assets		
Net Assets, Beginning	<u>1,240,883</u>	<u>1,032,859</u>
Net Assets, Ending	<u>\$ 1,448,823</u>	<u>\$ 1,240,883</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 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 Cash Flows

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from donations and governmental agencies	\$ 595,448	\$ 597,413
Cash paid to employees and vendors	(370,890)	(359,689)
Interest and dividends received	15,424	9,069
	<u>239,982</u>	<u>246,793</u>
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	300
Purchase of property and equipment	(45,895)	(182,328)
	<u>(45,895)</u>	<u>(182,028)</u>
Cash Flows used in Financing Activities		
Principal repayments on long-term debt	(141,710)	(170,223)
	<u>52,377</u>	<u>(105,458)</u>
Cash, Beginning	<u>707,709</u>	<u>813,167</u>
Cash, Ending	<u>\$ 760,086</u>	<u>\$ 707,709</u>
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities		
Increase in net assets	\$ 207,940	\$ 208,024
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	44,024	38,883
Gain on disposal of property and equipment	-	(108)
Change in assets and liabilities:		
Contributions receivable	-	1,260
Grants receivable	(1,723)	-
Gift card inventory	(7,494)	1,976
Prepaid expenses	2,387	31
Accounts payable	(294)	(4,678)
Accrued vacation	1,606	2,365
Payroll taxes payable	(4,123)	1,144
Deferred grant revenue	(2,341)	(2,104)
	<u>\$ 239,982</u>	<u>\$ 246,793</u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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 25, 2016, 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.

Notes to Financial Statements
December 31, 2015 and 2014

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 2015 and 2014.

The Organization's federal income tax returns for the years subsequent to 2011 remain subject to examination by the Internal Revenue Service.

New Accounting Standards

In October 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2012-04, *Technical Corrections and Improvements*. ASU No. 2012-04 includes amendments intended to conform terminology and clarify guidance in the codification to fully reflect the fair value measurement and disclosure requirements of FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. The ASU is effective for periods beginning after December 15, 2013. The adoption of this ASU did not have any impact on the Organization's financial position or results of operation.

Food Bank of the State College Area, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

2. Property and Equipment, Net

	<u>2015</u>	<u>2014</u>
Land	\$ 25,000	\$ 25,000
Building	1,049,384	1,035,521
Equipment	110,610	92,681
Accumulated depreciation	<u>(91,995)</u>	<u>(62,955)</u>
Property and equipment, net	<u>\$ 1,092,999</u>	<u>\$ 1,090,247</u>

3. Long-Term Debt

Long-term debt consists of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</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	\$ 427,801	\$ 569,511
Current portion	<u>(37,511)</u>	<u>(32,764)</u>
Long-term debt	<u>\$ 390,290</u>	<u>\$ 536,747</u>

Scheduled principal repayments at December 31, 2015 are as follows:

Years ending December 31:	
2016	\$ 37,511
2017	38,768
2018	<u>351,522</u>
Total	<u>\$ 427,801</u>

4. Retirement Plan

The Organization sponsors a defined contribution retirement plan. Pension expense was \$8,061 in 2015 and \$7,159 in 2014.

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.