

Food Bank of the State College Area, Inc.

Financial Statements

December 31, 2017 and 2016



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, 2017 and 2016, 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, 2017 and 2016, 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
March 27, 2018

Food Bank of the State College Area, Inc.

Statement of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash	\$ 766,454	\$ 713,691
Gift card inventory	12,346	5,776
Prepaid expenses	<u>3,534</u>	<u>2,276</u>
Total current assets	782,334	721,743
Investments	631,844	-
Property and Equipment, Net	<u>1,024,476</u>	<u>1,051,526</u>
Total assets	<u><u>\$ 2,438,654</u></u>	<u><u>\$ 1,773,269</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 3,663	\$ 3,102
Accrued payroll	3,878	-
Accrued vacation	5,015	7,081
Deferred grant revenue	<u>1,855</u>	<u>673</u>
Total current liabilities	14,411	10,856
Net Assets		
Unrestricted	<u>2,424,243</u>	<u>1,762,413</u>
Total liabilities and net assets	<u><u>\$ 2,438,654</u></u>	<u><u>\$ 1,773,269</u></u>

See notes to financial statements

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

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Revenues:		
Donations	\$ 952,875	\$ 646,327
United Way	53,982	63,965
Special events	20,053	500
Grants	17,958	11,372
Investment income	13,737	-
Net unrealized gain on investments	8,107	-
Interest	692	619
	<u>1,067,404</u>	<u>722,783</u>
Total revenues		
Expenses:		
Program	340,145	345,071
Administrative	42,682	45,057
Fundraising	22,747	19,065
	<u>405,574</u>	<u>409,193</u>
Total expenses		
Increase in net assets	661,830	313,590
Net Assets, Beginning	<u>1,762,413</u>	<u>1,448,823</u>
Net Assets, Ending	<u><u>\$ 2,424,243</u></u>	<u><u>\$ 1,762,413</u></u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

	<u>Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>
Salaries	\$ 160,333	\$ 128,267	\$ 16,033	\$ 16,033
Food purchases	93,193	93,193	-	-
Depreciation	49,835	39,868	9,967	-
Other operating	31,338	25,070	3,134	3,134
Office supplies	13,866	11,092	1,387	1,387
Utilities and rent	13,665	10,932	2,733	-
Payroll taxes	12,568	10,054	1,257	1,257
Employee benefits	9,360	7,488	936	936
Food pantry	6,840	6,840	-	-
Insurance	6,360	5,088	1,272	-
Audit	5,400	-	5,400	-
Telephone	2,816	2,253	563	-
Total	<u>\$ 405,574</u>	<u>\$ 340,145</u>	<u>\$ 42,682</u>	<u>\$ 22,747</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	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 Cash Flows**

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Cash received from donations and governmental agencies	\$ 1,046,050	\$ 724,560
Cash paid to employees and vendors	(361,194)	(337,418)
Interest and dividends received	14,429	619
Net cash provided by operating activities	<u>699,285</u>	<u>387,761</u>
Cash Flows from Investing Activities		
Purchase of investments	(623,737)	-
Purchase of property and equipment	(22,785)	(6,355)
Net cash used in investing activities	<u>(646,522)</u>	<u>(6,355)</u>
Cash Flows used in Financing Activities		
Principal repayments on long-term debt	-	(427,801)
Increase (decrease) in cash	52,763	(46,395)
Cash, Beginning	<u>713,691</u>	<u>760,086</u>
Cash, Ending	<u><u>\$ 766,454</u></u>	<u><u>\$ 713,691</u></u>
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities		
Increase in net assets	\$ 661,830	\$ 313,590
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(8,107)	-
Depreciation	49,835	62,805
Change in assets and liabilities:		
Grants receivable	-	1,723
Gift card inventory	(6,570)	7,030
Prepaid expenses	(1,258)	83
Accounts payable	561	1,797
Accrued payroll	3,878	-
Accrued vacation	(2,066)	60
Deferred grant revenue	1,182	673
Net cash provided by operating activities	<u><u>\$ 699,285</u></u>	<u><u>\$ 387,761</u></u>

See notes to financial statements

Food Bank of the State College Area, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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 March 27, 2018, 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.

Investments

Mutual funds are valued at fair value based upon quoted market prices and recorded at fair value.

Although the Organization's investments are invested in a variety of financial instruments managed by investment advisors, the fair values, reported in the statement of financial position, are subject to various market risks including changes in the equity markets, the interest rate environment, and economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in fair value of investment securities, it is reasonably possible that the fair value of investments reported in the accompanying statement of financial position could change materially in the near term.

Food Bank of the State College Area, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

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. The Organization does not have any temporarily or permanently restricted net assets as of December 31, 2017 and 2016.

Deferred Grant Revenue

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

Functional Expenses

The cost of providing various programs and other activities have been summarized on the statement of functional expenses. Such costs have been allocated based upon time spent on the activity.

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 2017 and 2016.

Food Bank of the State College Area, Inc.

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New Accounting Standards Adopted

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.

2. Property and Equipment, Net

	2017	2016
Land	\$ 25,000	\$ 25,000
Building	1,063,638	1,049,384
Equipment	119,282	110,751
Accumulated depreciation	(183,444)	(133,609)
Property and equipment, net	<u>\$ 1,024,476</u>	<u>\$ 1,051,526</u>

3. Retirement Plan

The Organization sponsors a defined contribution retirement plan. Pension expense was \$9,360 in 2017 and \$7,980 in 2016.

4. FEMA Grants

FEMA grants were used for food purchases.

5. 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.

Food Bank of the State College Area, Inc.

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6. 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.

7. Fair Value Measurements

The Organization uses fair value measurements and disclosures as prescribed by the FASB which defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosure about fair value measurements. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework established for measuring fair value includes a hierarchy that prioritizes the inputs used in determining the valuations into three levels. The level of the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 - Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

Food Bank of the State College Area, Inc.

Notes to Financial Statements December 31, 2017 and 2016

The following table present those assets that are remeasured annually at their fair value as of December 31, 2017 and 2016, by level within the fair value hierarchy. As required, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	<u>2017</u>	<u>2016</u>
	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Quoted Prices in Active Markets (Level 1)</u>
Investments:		
Cash and cash equivalents	\$ 302,605	\$ -
Domestic equity mutual funds	329,239	-
	<u>\$ 631,844</u>	<u>\$ -</u>

Fair values of financial instruments were determined as follows:

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: Mutual funds are valued at fair value based upon quoted market prices in active markets for those securities.

The Organization has no financial assets or liabilities measured at fair value on a non-recurring basis.

The Organization had no Level 2 or Level 3 investments.

8. Net Assets

Unrestricted net assets are available for the following purposes as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investment in plan	\$ 1,024,476	\$ 1,051,526
Board designated endowment	631,844	-
Reserves and operating funds	766,923	710,887
	<u>\$ 2,423,243</u>	<u>\$ 1,762,413</u>