



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

Financial Statements

December 31, 2018 and 2017

# Food Bank of the State College Area, Inc.

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## Independent Auditors' Report

To the Board of Directors of  
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 statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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 5, 2019

# Food Bank of the State College Area, Inc.

## Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 885,536	\$ 766,454
Gift card inventory	7,262	12,346
Prepaid expenses	<u>2,573</u>	<u>3,534</u>
Total current assets	895,371	782,334
<b>Investments</b>	597,003	631,844
<b>Property and Equipment, Net</b>	<u>990,473</u>	<u>1,024,476</u>
Total assets	<u>\$ 2,482,847</u>	<u>\$ 2,438,654</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,186	\$ 3,663
Accrued payroll	3,966	3,878
Accrued vacation	6,604	5,015
Deferred grant revenue	<u>-</u>	<u>1,855</u>
Total current liabilities	20,756	14,411
<b>Net Assets</b>		
Without donor restrictions	<u>2,462,091</u>	<u>2,424,243</u>
Total liabilities and net assets	<u>\$ 2,482,847</u>	<u>\$ 2,438,654</u>

See notes to financial statements

# Food Bank of the State College Area, Inc.

## Statements of Activities

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Net Assets Without Donor Restrictions</b>		
Revenues:		
Donations	\$ 433,655	\$ 952,875
United Way	49,016	53,982
Investment income	38,755	13,737
Special events	16,970	20,053
Grants	16,527	17,958
Interest	3,414	692
Net unrealized gain on investments	-	8,107
	<u>558,337</u>	<u>1,067,404</u>
Total revenues		
Expenses:		
Program	446,691	340,145
Administrative	47,653	42,682
Fundraising	26,145	22,747
	<u>520,489</u>	<u>405,574</u>
Total expenses		
Increase in net assets	37,848	661,830
<b>Net Assets, Beginning</b>	<u>2,424,243</u>	<u>1,762,413</u>
<b>Net Assets, Ending</b>	<u><u>\$ 2,462,091</u></u>	<u><u>\$ 2,424,243</u></u>

See notes to financial statements

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

### Statement of Functional Expenses

Year Ended December 31, 2018

	<u>Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>
Salaries	\$ 182,101	\$ 145,681	\$ 18,210	\$ 18,210
Food purchases	99,237	99,237	-	-
Net unrealized loss on investments	75,356	75,356	-	-
Depreciation	52,265	41,812	10,453	-
Other operating	37,385	29,907	3,739	3,739
Utilities and rent	15,377	12,302	3,075	-
Office supplies	14,381	11,505	1,438	1,438
Payroll taxes	14,221	11,377	1,422	1,422
Employee benefits	13,361	10,689	1,336	1,336
Insurance	7,954	6,363	1,591	-
Audit	5,800	-	5,800	-
Telephone	2,945	2,356	589	-
Realized loss on sale of investments	106	106	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 520,489</u>	<u>\$ 446,691</u>	<u>\$ 47,653</u>	<u>\$ 26,145</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.

### Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from donations and governmental agencies	\$ 514,313	\$ 1,046,050
Cash paid to employees and vendors	(378,517)	(361,194)
Interest and dividends received	42,169	14,429
	<u>177,965</u>	<u>699,285</u>
Net cash provided by operating activities	<u>177,965</u>	<u>699,285</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(41,732)	(623,737)
Proceeds from sale of investments	1,111	-
Purchase of property and equipment	(18,262)	(22,785)
	<u>(58,883)</u>	<u>(646,522)</u>
Net cash used in investing activities	<u>(58,883)</u>	<u>(646,522)</u>
Increase in cash	119,082	52,763
<b>Cash, Beginning</b>	<u>766,454</u>	<u>713,691</u>
<b>Cash, Ending</b>	<u>\$ 885,536</u>	<u>\$ 766,454</u>

See notes to financial statements



# Food Bank of the State College Area, Inc.

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Notes to Financial Statements

December 31, 2018 and 2017

## 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 April 5, 2019, the date the financial statements were available to be issued.

### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without restrictions and net assets with restrictions.

Net assets without donor restrictions are those which the Organization has no time limit or specific purpose on how to expend the funds.

Net assets with donor restrictions are those whose use by the Organization has been limited to a specific time period or purpose or have been restricted by donors to be maintained by the Organization in perpetuity. The Organization had no net assets with donor restrictions at December 31, 2018 and 2017.

### 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 statements 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 statements of financial position could change materially in the near term.

# Food Bank of the State College Area, Inc.

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Notes to Financial Statements  
December 31, 2018 and 2017

## 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 net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a donor restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Organization does not have any net assets with donor restrictions as of December 31, 2018 and 2017.

## 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 statements 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 2018 and 2017.

## Reclassifications

Certain reclassifications were made to the 2017 financial statements to conform to the 2018 presentation.

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

Notes to Financial Statements

December 31, 2018 and 2017

### New Accounting Standards Not Yet Adopted

During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. ASU No. 2014-09 is effective for calendar year December 31, 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU Nos. 2014-09 and 2015-14 will have on its results from operations, financial position and cash flows.

During June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for calendar year December 31, 2019. The Organization is currently assessing the impact that ASU No. 2018-08 will have on its results of operations, financial position and cash flows.

### New Accounting Standard Adopted

In 2018, the Organization adopted FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented.

The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed Net Assets Without Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources (Note 9);

As a result of the adoption of ASU No. 2016-14, the net assets of the Organization as of January 1, 2018 were reclassified as follows:

	<b>After Adoption of ASU No. 2016-14</b>	<b>As Originally Presented</b>
Net assets without donor restrictions	\$ 2,424,243	\$ -
Net assets, unrestricted	<u>-</u>	<u>2,424,243</u>
Total	<u>\$ 2,424,243</u>	<u>\$ 2,424,243</u>

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

Notes to Financial Statements

December 31, 2018 and 2017

### 2. Property and Equipment, Net

	<u>2018</u>	<u>2017</u>
Land	\$ 25,000	\$ 25,000
Building	1,077,495	1,063,638
Equipment	123,687	119,282
Accumulated depreciation	<u>(235,709)</u>	<u>(183,444)</u>
Property and equipment, net	<u>\$ 990,473</u>	<u>\$ 1,024,476</u>

### 3. Retirement Plan

The Organization sponsors a defined contribution retirement plan. Pension expense was \$9,985 in 2018 and \$9,360 in 2017.

### 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.

### 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.

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

Notes to Financial Statements  
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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.

The following table present those assets that are remeasured annually at their fair value as of December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Quoted Prices in Active Markets (Level 1)</u>
Investments:		
Cash and cash equivalents	\$ 1,222	\$ 302,605
Domestic equity mutual funds	595,781	329,239
	<u>\$ 597,003</u>	<u>\$ 631,844</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 Without Donor Restrictions

Net assets without donor restrictions are available for the following purposes as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investment in plant	\$ 990,473	\$ 1,024,476
Reserves and operating funds	1,471,618	1,398,767
	<u>\$ 2,462,091</u>	<u>\$ 2,423,243</u>

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

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Notes to Financial Statements  
December 31, 2018 and 2017

### 9. Liquidity and Availability of Resources

The following table reflects the Organizations' financial assets available for general expenditure within one year at December 31, 2018 and 2017. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash	\$ 885,536	\$ 766,454
Investments	<u>597,003</u>	<u>631,844</u>
	<u>\$ 1,482,539</u>	<u>\$ 1,398,298</u>

As part of the Organizations liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.