

Financial Statements

2016

Blessings in a Backpack, Inc.

June 30, 2016 and 2015



Strothman+Co

Financial Statements

Blessings in a Backpack, Inc.

June 30, 2016 and 2015

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Independent Auditors' Report



Members of the Board of Directors
Blessings in a Backpack, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of Blessings in a Backpack, Inc. (the "Organization"), which are comprised of the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 audits 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 Blessings in a Backpack, Inc. as of June 30, 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.

Stottman and Company PSC
Louisville, Kentucky
November 10, 2016

Statements of Financial Position

Blessings in a Backpack, Inc.

	June 30, 2016		June 30, 2015	
	Local Food Programs	National Operations	Local Food Programs	National Operations
Assets		Total		Total
Cash and cash equivalents	\$ 4,170,684	\$ 360,391	\$ 3,412,442	\$ 535,227
Investments	3,090,542	269,761	2,464,000	125,489
Contributions receivable, net	234,868	338,112	501,243	70,944
Prepaid expenses and other assets	34,543	16,815	32,652	19,558
Furniture and equipment, net		12,871		7,269
Total Assets	\$ 7,530,637	\$ 997,950	\$ 6,410,337	\$ 758,487
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 116,000	\$ 61,828	\$ 125,659	\$ 62,803
Other accrued expenses	460	44,227	460	20,821
Prepaid event revenues			128,250	
Total Liabilities	116,460	106,055	254,369	83,624
Net Assets				
Unrestricted	6,291,235	553,366	5,955,092	674,863
Temporarily restricted	1,122,942	338,529	200,876	
Total Net Assets	7,414,177	891,895	6,155,968	674,863
Total Liabilities and Net Assets	\$ 7,530,637	\$ 997,950	\$ 6,410,337	\$ 758,487

See Accompanying Notes to Financial Statements

Statements of Activities

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2016	2015
Unrestricted Net Assets		
Support		
Contributions	\$ 5,415,906	\$ 5,318,056
Grants	1,883,132	1,507,416
Fundraising events, net of direct expenses	807,772	598,858
In-kind contributions	116,668	151,841
Investment income	24,013	19,596
Other income	9,412	31,878
	<u>8,256,903</u>	<u>7,627,645</u>
Net Assets Released From Restrictions	<u>200,876</u>	<u>61,477</u>
Total Support	8,457,779	7,689,122
Expenses		
Program services	7,030,003	5,481,518
General and administrative	682,787	524,872
Fundraising	530,343	476,443
	<u>8,243,133</u>	<u>6,482,833</u>
Total Expenses	8,243,133	6,482,833
Increase in Unrestricted Net Assets	214,646	1,206,289
Temporarily Restricted Net Assets		
Contributions	1,461,471	200,876
Net assets released from restrictions	<u>(200,876)</u>	<u>(61,477)</u>
Increase in Temporarily Restricted Net Assets	<u>1,260,595</u>	<u>139,399</u>
Increase in Net Assets	1,475,241	1,345,688
Net Assets Beginning of Year	<u>6,830,831</u>	<u>5,485,143</u>
Net Assets End of Year	<u><u>\$ 8,306,072</u></u>	<u><u>\$ 6,830,831</u></u>

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Blessings in a Backpack, Inc.

	Year Ended June 30, 2016			Year Ended June 30, 2015				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Food and backpack expenses	\$ 6,306,029			\$ 6,306,029	\$ 5,062,488			\$ 5,062,488
Payroll expense	574,941	\$ 434,636	\$ 400,374	1,409,951	315,304	\$ 228,867	\$ 252,875	797,046
Contract services	29,930	94,050	15,297	139,277	39,551	168,422	132,746	340,719
Rent	28,148	37,059	33,962	99,169	11,574	13,949	20,180	45,703
Office supplies and postage	10,644	14,015	12,844	37,503	9,017	10,868	15,722	35,607
Utilities and telephone	6,642	8,745	8,014	23,401	4,402	5,306	7,676	17,384
Banking and other fees	13,842	18,225	16,702	48,769	9,491	11,440	16,549	37,480
Insurance	2,975	3,917	3,590	10,482	2,514	3,029	4,382	9,925
Other operating expenses	5,215	6,843	6,271	18,329	4,164	5,020	7,262	16,446
Depreciation expense		6,779		6,779		8,231		8,231
Advertising and promotion expense	9,217	9,440	12,702	31,359	3,566	34,570	169	38,305
Travel	38,917	49,078	20,587	108,582	19,247	35,170	18,882	73,299
Other expenses	3,503			3,503	200			200
	<u>\$ 7,030,003</u>	<u>\$ 682,787</u>	<u>\$ 530,343</u>	<u>\$ 8,243,133</u>	<u>\$ 5,481,518</u>	<u>\$ 524,872</u>	<u>\$ 476,443</u>	<u>\$ 6,482,833</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2016	2015
Operating Activities		
Increase in net assets	\$ 1,475,241	\$ 1,345,688
Adjustments		
Depreciation	6,779	8,231
Increase in allowance for uncollectable contributions	53,322	25,000
Reinvested dividends and interest	(12,511)	(9,578)
Changes in operating assets and liabilities		
Contributions receivable	(54,115)	(37,017)
Prepaid expenses and other assets	852	(10,230)
Accounts payable	(10,634)	134,365
Other accrued expenses	23,406	(2,883)
Prepaid event revenues	(128,250)	128,250
Net Cash Provided By Operating Activities	1,354,090	1,581,826
Investing Activities		
Purchases of investments	(848,303)	(1,580,000)
Sale of investments	90,000	
Purchases of equipment	(12,381)	(4,707)
Net Cash Used In Investing Activities	(770,684)	(1,584,707)
Net Increase (Decrease) in Cash and Cash Equivalents	583,406	(2,881)
Cash and Cash Equivalents Beginning of Year	3,947,669	3,950,550
Cash and Cash Equivalents End of Year	\$ 4,531,075	\$ 3,947,669

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Blessings in a Backpack, Inc.

June 30, 2016 and 2015

Note A--Description of Business and Summary of Significant Accounting Policies

Description of Business--Blessings in a Backpack, Inc. (the "Organization") is a non-profit organization that provides backpacks of food each weekend during the school year to children whose families qualify for the federal free and reduced meal program. The Organization's program is run in participating schools across the nation.

The Organization manages the operations of numerous local school food distribution programs. The Statement of Financial Position is segregated between these local food programs and the national office operations, and reflects the various assets and liabilities designated for local food program operations and general and administrative operations, respectively.

The Organization follows generally accepted accounting principles, as outlined in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC"). Significant accounting policies are as follows:

Financial Statement Presentation--The Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents--The Organization considers all highly-liquid investments with maturities when purchased of three months or less, that are not designated for a specific purpose, to be cash equivalents.

Investments--Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statements of activities. Interest income is recorded on accrual basis. Dividend income is recorded on the ex-dividend date.

Contributions Receivable--Contributions receivable are stated net of an allowance for doubtful accounts. Management of the Organization estimates an allowance for doubtful accounts based on its specifically identifying questionable accounts, and on the historical collection experience of the Organization. Uncollectible accounts receivable are charged against the allowance account when deemed uncollectible by management.

Furniture and Equipment--The Organization capitalizes all expenditures for furniture and equipment in excess of \$500, which are recorded at cost, if purchased, or fair market value at date of gift, if donated. Depreciation is computed using the accelerated methods over the estimated useful lives of the related assets.

Continued

Blessings in a Backpack, Inc.

June 30, 2016 and 2015

Note A--Description of Business and Summary of Significant Accounting Policies--Continued

Contributions--Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted contributions.

In-Kind Contributions--These contributions of food and supplies are recorded at fair value and recognized as support and program service expenses in the fiscal year when they are received. Contributions of professional services and event support costs are likewise recorded at fair value and recognized as administrative and fundraising expenses, respectively.

The Organization also receives free services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because these services do not meet the criteria for recording as support and expenses.

Advertising Costs--Advertising costs are expensed as incurred. Total advertising and promotion expense was \$31,359 and \$38,305 for the years ended June 30, 2016 and 2015, respectively.

Fair Value of Financial Instruments--The carrying amounts for current assets and liabilities approximate their fair values due to their short maturity.

Use of Estimates--The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes--The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements. The Organization had no unrelated business income during the periods covered by these audits.

Generally accepted accounting principles prescribe a comprehensive model for how an entity should measure, recognize, present and disclose in its financial statements uncertain tax positions that an entity has taken or expects to take on a tax return. There was no impact on the Organization's financial statements as a result of the implementation of these accounting principles.

The tax returns for the fiscal years ended June 30, 2015, 2014 and 2013 remain subject to examination by the Internal Revenue Service.

Blessings in a Backpack, Inc.

June 30, 2016 and 2015

Note B--Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents at a financial institution. The Federal Deposit Insurance Corporation ("FDIC") insures these balances up to \$250,000 at each institution. At June 30, 2016 and 2015, the Organization's cash accounts and cash equivalents at both banks exceeded the FDIC insured amount by approximately \$4,300,000 and \$3,581,000, respectively.

Note C--Investments and Fair Value Measurements

Generally accepted accounting principles provide a framework for measuring fair value, and expand disclosures required for fair value measurements. They also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three board levels. These levels, in order of highest to lowest priority are described below:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Inputs to the valuation methodology are unobservable and sufficient to the fair value measurement.

The following table presents the fair value of investments:

	Assets at Fair Value as of June 30, 2016		
	Level 1 Inputs	Level 2 Inputs	Total
Money market funds	\$ 1,361,719		\$ 1,361,719
Mutual funds - fixed income	1,998,584		1,998,584
	<u>\$ 3,360,303</u>		<u>\$ 3,360,303</u>

	Assets at Fair Value as of June 30, 2015		
	Level 1 Inputs	Level 2 Inputs	Total
Money market funds	\$ 519,889		\$ 519,889
Certificates of deposit		\$ 83,074	83,074
Mutual funds - fixed income	1,986,526		1,986,526
	<u>\$ 2,506,415</u>	<u>\$ 83,074</u>	<u>\$ 2,589,489</u>

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2016 and 2015

Note C--Investments and Fair Value Measurements--Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Organization.

Note D--Contributions Receivable

Contributions receivable consist of the following:

	June 30	
	2016	2015
Contributions receivable	\$ 651,302	\$ 597,187
Less allowance for uncollectible contributions	<u>78,322</u>	<u>25,000</u>
Contribution Receivable, Net	<u>\$ 572,980</u>	<u>\$ 572,187</u>

Future maturities of contributions receivable are as follows:

Amounts due in:	
Less than one year	\$ 631,562
One to two years	<u>19,740</u>
Contributions Receivable, Gross	<u>\$ 651,302</u>

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

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Note E--Furniture and Equipment

Furniture and equipment consists of the following:

	June 30	
	2016	2015
Computers	\$ 39,292	\$ 29,411
Telephone system	8,783	8,783
Software	40,075	37,575
Furniture	8,053	8,053
	<u>96,203</u>	<u>83,822</u>
Less accumulated depreciation	<u>83,332</u>	<u>76,553</u>
Furniture and Equipment, net	<u><u>\$ 12,871</u></u>	<u><u>\$ 7,269</u></u>

Note F--Restriction of Net Assets

Temporarily restricted net assets consist of the following:

	June 30, 2015	Contributions	Released from Restrictions	June 30, 2016
Contributions restricted for:				
Capital assets		\$ 15,000		\$ 15,000
Other		323,524		323,524
Future school years	\$ 200,876	1,122,947	\$ 200,876	1,122,947
	<u>\$ 200,876</u>	<u>\$ 1,461,471</u>	<u>\$ 200,876</u>	<u>\$ 1,461,471</u>
	June 30, 2014	Contributions	Released from Restrictions	June 30, 2015
Contributions restricted for:				
Future school years	\$ 61,477	\$ 200,876	61,477	\$ 200,876
	<u>\$ 61,477</u>	<u>\$ 200,876</u>	<u>\$ 61,477</u>	<u>\$ 200,876</u>

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

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Note F--Restriction of Net Assets--Continued

Northwestern University Dance Marathon--During the fiscal year ended June 30, 2016, the Organization was the primary beneficiary of this fundraiser that raised approximately \$932,000 of contributions, of which \$848,000 was restricted to fund operations during fiscal years 2017 through 2019.

Contributions Restricted for Future School Years--Contributions restricted for future school years consist of amounts received during the fiscal year ended June 30, 2016 which are designated for specific schools for the 2016-2017 school year.

The Organization has no permanently restricted net assets.

Note G--Fundraising Events

Revenue generated by fundraising events is presented net of direct expenses in the accompanying statements of activities. The following represents the gross revenues and expenses for fundraising events:

	June 30	
	2016	2015
Revenues	\$ 1,385,441	\$ 1,152,546
Direct expenses	577,669	553,688
Fundraising Events, net of direct expenses	\$ 807,772	\$ 598,858

Note H--Lease Commitments

The Organization leases space for office facilities under non-cancelable operating lease agreements with terms of one year or more. Rent expense for the years ended June 30, 2016 and 2015 was \$99,169 and \$45,703 respectively.

Aggregate commitments under long-term operating lease agreements are as follows:

<u>Year Ending June 30</u>	
2017	\$ 47,468
2018	3,955
	<u>\$ 51,423</u>

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

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Note I--Related Party Transactions

The Organization purchases food and other supplies from a company in which a Board Member has a significant ownership/management relationship. These purchases amounted to \$761,442 and \$379,002 for the years ended June 30, 2016 and 2015, respectively.

Additionally, the Board Member, the company, and the Board Member's family referenced above made contributions totaling \$191,000 and \$186,000 to the Organization during the years ended June 30, 2016 and 2015, respectively.

Furthermore, a foundation associated with the above Board Member made contributions to the Organization of \$290,000 and \$295,000 during the years ended June 30, 2016 and 2015, respectively.

Note J--Subsequent Event

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Organization through November 10, 2016, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.