

Financial Statements

2017

Blessings in a Backpack, Inc.

June 30, 2017 and 2016



Strothman+Co

Financial Statements

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

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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, 2017 and 2016, 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, 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.

Stout and Company PSC
Louisville, Kentucky
November 3, 2017

Statements of Financial Position

Blessings in a Backpack, Inc.

	June 30, 2017			June 30, 2016		
	Local Food Programs	National Operations	Total	Local Food Programs	National Operations	Total
Assets						
Cash and cash equivalents	\$ 4,600,950	\$ 372,312	\$ 4,973,262	\$ 4,170,684	\$ 360,391	\$ 4,531,075
Investments	3,090,542	138,506	3,229,048	3,090,542	269,761	3,360,303
Contributions receivable, net	280,440	162,581	443,021	229,948	338,112	568,060
Prepaid expenses and other assets	47,345	16,811	64,156	39,463	16,815	56,278
Furniture and equipment, net		21,694	21,694		12,871	12,871
Total Assets	\$ 8,019,277	\$ 711,904	\$ 8,731,181	\$ 7,530,637	\$ 997,950	\$ 8,528,587
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 135,729	\$ 64,353	\$ 200,082	\$ 116,000	\$ 61,828	\$ 177,828
Other accrued expenses	460	93,808	94,268	460	44,227	44,687
Deferred event income	118,700		118,700			
Total Liabilities	254,889	158,161	413,050	116,460	106,055	222,515
Net Assets						
Unrestricted	6,847,957	397,982	7,245,939	6,291,235	553,366	6,844,601
Temporarily restricted	916,431	155,761	1,072,192	1,122,942	338,529	1,461,471
Total Net Assets	7,764,388	553,743	8,318,131	7,414,177	891,895	8,306,072
Total Liabilities and Net Assets	\$ 8,019,277	\$ 711,904	\$ 8,731,181	\$ 7,530,637	\$ 997,950	\$ 8,528,587

See Accompanying Notes to Financial Statements

Statements of Activities

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2017	2016
Unrestricted Net Assets		
Support		
Contributions	\$ 6,808,271	\$ 5,469,227
Grants	1,326,719	1,883,132
Fundraising events, net of direct expenses	628,509	807,772
In-kind contributions	76,809	116,668
Investment income, net of investment expenses	31,788	24,013
Other income	7,876	9,412
	<u>8,879,972</u>	<u>8,310,224</u>
Other Support		
In-kind support for public relations activities	3,713,563	
Net Assets Released From Restrictions	<u>697,053</u>	<u>200,876</u>
Total Support	<u>13,290,588</u>	<u>8,511,100</u>
Expenses		
Program services	7,543,894	7,083,324
General and administrative	996,590	682,787
Fundraising	635,203	530,343
Total Expenses	<u>9,175,687</u>	<u>8,296,454</u>
Increase in Unrestricted Net Assets from Operating Activities	<u>4,114,901</u>	<u>214,646</u>
Other Expenses		
In-kind public relations expense	3,713,563	
Total Change in Unrestricted Net Assets	<u>401,338</u>	<u>214,646</u>
Temporarily Restricted Net Assets		
Contributions	307,774	1,461,471
Net assets released from restrictions	<u>(697,053)</u>	<u>(200,876)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(389,279)</u>	<u>1,260,595</u>
Increase in Net Assets	<u>12,059</u>	<u>1,475,241</u>
Net Assets Beginning of Year	<u>8,306,072</u>	<u>6,830,831</u>
Net Assets End of Year	<u><u>\$ 8,318,131</u></u>	<u><u>\$ 8,306,072</u></u>

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Blessings in a Backpack, Inc.

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Food and backpack expenses	\$ 6,428,301			\$ 6,428,301	\$ 6,306,029			\$ 6,306,029
Payroll expense	874,020	\$ 702,467	\$ 457,019	2,033,506	574,941	\$ 434,636	\$ 400,374	1,409,951
Contract services	43,334	77,223	26,251	146,808	29,930	94,050	15,297	139,277
Rent	59,284	47,232	31,400	137,916	28,148	37,059	33,962	99,169
Office supplies and postage	16,526	15,076	17,983	49,585	10,644	14,015	12,844	37,503
Utilities and telephone	15,085	11,753	8,128	34,966	6,642	8,745	8,014	23,401
Banking and other fees	8,127	10,672	26,443	45,242	13,842	18,225	16,702	48,769
Insurance	7,552	6,018	4,000	17,570	2,975	3,917	3,590	10,482
Other operating expenses	3,757	30,564	17,619	51,940	5,215	6,843	6,271	18,329
Depreciation expense		15,537		15,537		6,779		6,779
Advertising and promotion expense	18,388	9,281	9,055	36,724	9,217	9,440	12,702	31,359
Travel	41,664	42,392	37,305	121,361	38,917	49,078	20,587	108,582
Other expenses	27,856	28,375		56,231	56,824			56,824
	<u>\$ 7,543,894</u>	<u>\$ 996,590</u>	<u>\$ 635,203</u>	<u>\$ 9,175,687</u>	<u>\$ 7,083,324</u>	<u>\$ 682,787</u>	<u>\$ 530,343</u>	<u>\$ 8,296,454</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2017	2016
Operating Activities		
Increase in net assets	\$ 12,059	\$ 1,475,241
Adjustments		
Depreciation	15,537	6,779
Increase (decrease) in allowance for uncollectable contributions	(63,322)	53,322
Reinvested dividends and interest	(20,015)	(12,511)
Changes in operating assets and liabilities		
Contributions receivable	188,361	(54,115)
Prepaid expenses and other assets	(7,878)	852
Accounts payable	22,254	(10,634)
Other accrued expenses	49,581	23,406
Prepaid event revenues	118,700	(128,250)
Net Cash Provided By Operating Activities	315,277	1,354,090
Investing Activities		
Purchases of investments		(848,303)
Sale of investments	151,270	90,000
Purchases of equipment	(24,360)	(12,381)
Net Cash Provided By (Used In) Investing Activities	126,910	(770,684)
Net Increase in Cash and Cash Equivalents	442,187	583,406
Cash and Cash Equivalents Beginning of Year	4,531,075	3,947,669
Cash and Cash Equivalents End of Year	\$ 4,973,262	\$ 4,531,075

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

Note A--Description of Business

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.

Note B--Summary of Significant Accounting Policies

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 income, 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 uncollectible contributions. Management of the Organization estimates an allowance for uncollectible contributions based on its specifically identifying questionable accounts, and on the historical collection experience of the Organization. Uncollectible contributions 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

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

Note B--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.

Allocation of Functional Expenses--The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs--Advertising costs are expensed as incurred. Total advertising and promotion expense was \$36,724 and \$31,359 for the years ended June 30, 2017 and 2016, 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.

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

Note B--Summary of Significant Accounting Policies--Continued

Reclassifications--Certain reclassifications have been made to the 2016 financial statements in order to conform to the 2017 presentation. There was no effect on net assets or on the change in net assets resulting from these reclassifications.

Note C--Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents at two financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures these balances up to \$250,000 at each institution. At June 30, 2017 and 2016, the Organization's cash accounts and cash equivalents at both banks exceeded the FDIC insured amount by approximately \$4,978,000 and \$4,300,000, respectively.

Note D--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.

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

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

The following table presents the fair value of investments:

		Assets at Fair Value as of June 30, 2017	
		Level 1 Inputs	Total
Money market funds		\$ 1,214,710	\$ 1,214,710
Mutual funds - fixed income		2,014,338	2,014,338
		<u>\$ 3,229,048</u>	<u>\$ 3,229,048</u>
		Assets at Fair Value as of June 30, 2016	
		Level 1 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>

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.

Investments 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.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

Note E--Contributions Receivable

Contributions receivable consist of the following:

	June 30	
	2017	2016
Contributions receivable	\$ 458,021	\$ 646,382
Less allowance for uncollectible contributions	15,000	78,322
Contribution Receivable, Net	\$ 443,021	\$ 568,060

Note F--Furniture and Equipment

Furniture and equipment consists of the following:

	June 30	
	2017	2016
Computers	\$ 60,748	\$ 39,292
Telephone system	8,783	8,783
Software	40,075	40,075
Furniture	10,957	8,053
	120,563	96,203
Less accumulated depreciation	98,869	83,332
Furniture and Equipment, net	\$ 21,694	\$ 12,871

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

Note G--Restriction of Net Assets

Temporarily restricted net assets consist of the following:

	July 1, 2016	Contributions	Released from Restrictions	June 30, 2017
Contributions restricted for:				
Capital assets	\$ 15,000		\$ 15,000	
Future school years	1,122,947	\$ 249,948	540,005	\$ 832,890
National operations grants	323,524	57,826	142,048	239,302
	<u>\$ 1,461,471</u>	<u>\$ 307,774</u>	<u>\$ 697,053</u>	<u>\$ 1,072,192</u>
	July 1, 2015	Contributions	Released from Restrictions	June 30, 2016
Contributions restricted for:				
Capital assets		\$ 15,000		\$ 15,000
Future school years	\$ 200,876	1,122,947	\$ 200,876	1,122,947
National operations grants		323,524		323,524
	<u>\$ 200,876</u>	<u>\$ 1,461,471</u>	<u>\$ 200,876</u>	<u>\$ 1,461,471</u>

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 \$742,000 was restricted to fund operations during fiscal years 2018 through 2019.

Contributions Restricted for Future School Years--Contributions restricted for future school years consist of amounts received which are designated for specific schools for the 2018-2019 school years.

The Organization has no permanently restricted net assets.

Note H--In-Kind Public Relations Expenses

During the year ended June 30, 2017, the Organization recorded \$3,712,363 of in-kind public relations support and expense for public broadcasting service announcements donated by a benefactor.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

Note I--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	
	2017	2016
Revenues	\$ 1,018,153	\$ 1,385,441
Direct expenses	389,644	577,669
Fundraising Events, net of direct expenses	\$ 628,509	\$ 807,772

Note J--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, 2017 and 2016 was \$137,916 and \$99,169 respectively.

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

<u>Year Ending June 30</u>	
2018	\$ 43,995
2019	45,587
	\$ 89,582

Note K--Retirement Plan

The Organization maintains a 403(b) retirement plan that covers all employees age 21 and older with at least three months of service and who work more than twenty hours per week. Employees may contribute up to the maximum percentage of compensation and dollar amount permissible under the Internal Revenue Code. The plan contains a provision for a discretionary employer matching contribution. There was no employer matching contribution made for the years ended June 30, 2017 and 2016.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2017 and 2016

Note L--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 \$841,197 and \$761,442 for the years ended June 30, 2017 and 2016, respectively.

Additionally, the Board Member, the company, and the Board Member's family referenced above made contributions totaling \$100,000 and \$191,000 to the Organization during the years ended June 30, 2017 and 2016, respectively.

Furthermore, a foundation associated with the above Board Member made contributions to the Organization of \$375,000 and \$290,000 during the years ended June 30, 2017 and 2016, respectively.

Note M--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 3, 2017, 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.