

Financial Statements

2020

**Blessings in a Backpack, Inc.**

June 30, 2020 and 2019



Financial Statements

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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, 2020 and 2019, 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, 2020 and 2019, 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.

## Change in Accounting Principle

As discussed in Note B, the Organization adopted the requirements of Financial Account Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Strothman and Company*

Louisville, Kentucky  
November 11, 2020

Statements of Financial Position

**Blessings in a Backpack, Inc.**

	June 30, 2020		June 30, 2019	
	Local Food Programs	National Operations	Local Food Programs	National Operations
<b>Assets</b>				
Cash and cash equivalents	\$ 7,264,220	\$ 1,828,646	\$ 5,694,432	\$ 160,869
Investments	3,105,368	50,727	3,106,957	24,743
Contributions receivable, net	155,138	189,948	226,674	523,478
Prepaid expenses and other assets	2,277	13,402	238	34,322
Furniture and equipment, net		3,374		
<b>Total Assets</b>	<b>\$ 10,527,003</b>	<b>\$ 2,086,097</b>	<b>\$ 9,028,301</b>	<b>\$ 743,412</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 239,243	\$ 44,659	\$ 132,490	\$ 67,555
Other accrued expenses	1,537	310,741	2,015	202,073
Deferred event income	54,785		54,785	120,975
Paycheck Protection Program loan payable		391,700		
<b>Total Liabilities</b>	<b>295,565</b>	<b>747,100</b>	<b>134,505</b>	<b>390,603</b>
<b>Net Assets</b>				
Without donor restrictions	8,976,072	758,833	8,576,019	204,122
With donor restrictions	1,255,366	580,164	317,777	148,687
<b>Total Net Assets</b>	<b>10,231,438</b>	<b>1,338,997</b>	<b>8,893,796</b>	<b>352,809</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,527,003</b>	<b>\$ 2,086,097</b>	<b>\$ 9,028,301</b>	<b>\$ 743,412</b>

See Accompanying Notes to Financial Statements



Statements of Functional Expenses

**Blessings in a Backpack, Inc.**

	Year Ended June 30, 2020			Year Ended June 30, 2019			
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising	Total
Food and backpack expenses	\$ 7,824,597		\$ 7,824,597	\$ 6,798,651		\$ 6,798,651	
Payroll and employee benefits	1,088,466	\$ 779,293	\$ 578,829	1,025,664	\$ 735,130	\$ 570,698	2,331,492
Contract services	132,805	33,174	7,329	97,859	73,031	5,730	176,620
Rent expense	69,838	46,371	37,977	65,983	46,981	37,511	150,475
Administrative expenses	85,440	93,475	96,823	70,532	102,165	85,917	258,614
Depreciation expense		307			15,367		15,367
Marketing expenses	30,455	9,249	63,896	19,203	7,432	57,648	84,283
Travel	43,497	20,936	19,633	43,304	30,292	26,958	100,554
In-kind expenses	3,178,960	70,000	280,000	1,520,820	1,050	179,180	1,701,050
Other expenses	99,026	5,361					
	<u>\$ 12,553,084</u>	<u>\$ 1,058,166</u>	<u>\$ 1,084,487</u>	<u>\$ 9,642,016</u>	<u>\$ 1,011,448</u>	<u>\$ 963,642</u>	<u>\$ 11,617,106</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

**Blessings in a Backpack, Inc.**

	<b>Year Ended June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating Activities</b>		
Change in net assets	\$ 2,323,830	\$ (120,643)
Adjustments		
Depreciation	307	15,367
Increase in allowance for uncollectable contributions	102,959	
Reinvested dividends and interest	(47,071)	(65,344)
Realized gain on sales of investments	(1,263)	(19)
Unrealized gain on investments	(3,028)	(1,838)
Changes in operating assets and liabilities		
Contributions receivable	302,107	(278,419)
Prepaid expenses and other assets	18,881	(24,995)
Accounts payable	83,857	(19,399)
Other accrued expenses	108,190	77,803
Deferred event income	(66,190)	120,975
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>2,822,579</b>	<b>(296,512)</b>
<b>Investing Activities</b>		
Sales of investments	2,630,074	130,045
Purchases of investments	(2,628,107)	
Transfer of investments	25,000	
Purchases of equipment	(3,681)	(1,383)
<b>Net Cash Provided By Investing Activities</b>	<b>23,286</b>	<b>128,662</b>
<b>Financing Activities</b>		
Borrowings on loans	391,700	
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,237,565</b>	<b>(167,850)</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>5,855,301</b>	<b>6,023,151</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 9,092,866</b>	<b>\$ 5,855,301</b>
<b>Other Cash Flow Information</b>		
Cash paid for interest	\$ 931	

See Accompanying Notes to Financial Statements



## Notes to Financial Statements

### **Blessings in a Backpack, Inc.**

June 30, 2020 and 2019

#### **Note A--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 statements of financial position are segregated between those 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's primary source of support is contributions.

#### **Note B--Summary of Significant Accounting Policies**

The Organization follows generally accepted accounting principles, as outlined in the Financial Accounting Standards Board's ("FASB") *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 two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) 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. See Note E for amounts of the allowance as of June 30, 2020 and 2019.

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, 2020 and 2019

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

Contributions--Contributions received are recorded as being either without donor restrictions or with donor restrictions, 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, net assets with donor restrictions are reclassified to support without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Contributions whose restrictions are met in the same fiscal year are reported as contributions without donor restrictions.

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, based on personnel time utilized for the related activities.

Advertising Costs--Advertising costs are expensed as incurred. Total advertising and promotion expense was \$85,495 and \$42,868 for the years ended June 30, 2020 and 2019, 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 accounting principles generally accepted in the United States of America 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, 2020 and 2019

### **Note B--Summary of Significant Accounting Policies—Continued**

Reclassifications--Certain reclassifications have been made to the 2019 financial statements in order to conform to 2020 presentation. There was no effect on net assets or on the change in net assets resulting from these reclassifications.

New Accounting Pronouncement--The Organization adopted the requirements of the FASB's Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the current year, applying the changes using a modified prospective approach. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The Organization has adopted the guidance in the ASU as of June 30, 2020; however, adoption did not materially impact the Organization's financial statements.

Subsequent Events--In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 11, 2020, the date the financial statements were available to be issued.

### **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, 2020 and 2019, the Organization's cash accounts and cash equivalents at both banks exceeded the FDIC insured amount by approximately \$7,822,000 and \$4,633,000, 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 based on significant unobservable inputs.

The Organization uses published prices from actively traded markets (Level I inputs) in determining the fair value of its investments, which include money market funds, certificates of deposit and mutual funds.

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Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2020 and 2019

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

The following table presents the fair value of investments:

	<b>Asset as Fair Value as of</b>	
	<b>June 30, 2020</b>	<b>June 30, 2019</b>
	<b>Quoted Prices in Active Markets (Level I)</b>	<b>Quoted Prices in Active Markets (Level I)</b>
Money market funds	<u>\$ 3,156,095</u>	<u>\$ 3,131,700</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, market and credit risks. 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.

Investment income is comprised of the following components in the statements of activities:

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
Interest and dividend income	\$ 65,717	\$ 85,060
Net unrealized gain on investments	3,028	1,838
Realized gain on investments	<u>1,263</u>	<u>19</u>
<b>Total Investment Income</b>	<u>\$ 70,008</u>	<u>\$ 86,917</u>

Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2020 and 2019

**Note E--Contributions Receivable**

Contributions receivable consist of the following:

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
Contributions receivable	\$ 460,085	\$ 762,192
Less allowance for uncollectible contributions	<u>114,999</u>	<u>12,040</u>
<b>Contribution Receivable, Net</b>	<b><u>\$ 345,086</u></b>	<b><u>\$ 750,152</u></b>

**Note F--Furniture and Equipment**

Furniture and equipment consists of the following:

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
Computers	\$ 69,172	\$ 65,491
Telephone system	8,783	8,783
Software	40,075	40,075
Furniture	<u>16,926</u>	<u>16,926</u>
	134,956	131,275
Less accumulated depreciation	<u>131,582</u>	<u>131,275</u>
<b>Furniture and Equipment, net</b>	<b><u>\$ 3,374</u></b>	<b><u>\$</u></b>

**Note G--Deferred Event Income**

As of June 30, 2020, the Organization had received payments totaling \$54,785 for tickets, sponsorships and donations for various events supporting local food programs and occurring after June 30, 2020. As of June 30, 2019, the Organization had received payments for sponsorships and donations totaling \$120,975, to support the Organization's golf fundraising event. Since these events did not take place until after the respective year-ends in which the funds were raised, this support has been recorded as deferred event income.

**Blessings in a Backpack, Inc.**

June 30, 2020 and 2019

**Note H--Line of Credit**

In September 2019, the Organization entered into a \$250,000 revolving line of credit agreement with Republic Bank which bears interest at the prime rate (3.25% as of June 30, 2020), with a minimum rate of 5.50%. There were no outstanding borrowings as of June 30, 2020. The line of credit expires on September 9, 2021.

**Note I--Letter of Credit**

As of June 30, 2020, the Organization had a bank letter of credit related to an office building lease in Chicago, Illinois, in the amount of \$23,482.

**Note J--Paycheck Protection Program Loan Payable**

In April 2020, the Organization obtained a United States Small Business Administration ("SBA") Paycheck Protection Program loan ("PPP") of \$319,700. The PPP loan, when used for certain expenses (payroll, retirement contributions, health insurance costs, rent and utilities), can be forgiven.

Any portion of the loan not used for qualifying costs will be payable over two years at an interest rate of 1%. The PPP loan is administered by the SBA through an eligible lender.

In June 2020, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board provided technical guidance which stated that the proceeds from SBA PPP loans could be accounted for as either debt or a government grant. Management elected to account for this unique lending vehicle as debt. Under this method, the proceeds of the loan will remain recorded as a liability until either the loan is, in part or wholly, forgiven and the Organization has been legally released or the Organization pays off the loan.

**Note K--Contingencies**

In March 2020, the World Health Organization declared the spread of Coronavirus Disease ("COVID-19") a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal years 2020 and 2021 operations and financial results. In addition, both domestic and international equity markets have experienced significant fluctuations/declines since June 30, 2020. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown, cannot be reasonably estimated, and are still developing.

Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2020 and 2019

**Note L--Liquidity and Availability of Financial Assets**

The following table reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year.

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 9,092,866	\$ 5,855,301
Investments	3,156,095	3,131,700
Contributions receivable, net	345,086	750,152
	<hr/>	<hr/>
<b>Total Financial Assets</b>	12,594,047	9,737,153
Less net assets with donor-imposed restrictions	1,835,530	466,464
	<hr/>	<hr/>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 10,758,517</b>	<b>\$ 9,270,689</b>
	<hr/> <hr/>	<hr/> <hr/>

**Note M--Net Assets with Donor Restrictions**

Net assets with donor restrictions include contributions and grants for which donor imposed restrictions are to be met, and are restricted for the following purposes:

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
Restricted for Specified Purpose:		
New upcoming schools	\$ 45,940	\$ 30,773
Corporate employee engagement	84,000	154,250
COVID relief and other	764,970	
Chapter launch	210,900	
Event and meeting sponsor		8,375
	<hr/>	<hr/>
	1,105,810	193,398
Restricted by Time:		
Program funding for specific future years	729,720	273,066
	<hr/>	<hr/>
	<b>\$ 1,835,530</b>	<b>\$ 466,464</b>
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Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2020 and 2019

**Note N--Lease Commitments**

The Organization leases office equipment and space for office facilities under non-cancelable operating lease agreements with terms of one year or more. Lease expense for the years ended June 30, 2020 and 2019 was \$158,212 and \$152,332 respectively.

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

<u>Year Ending June 30</u>	
2021	\$ 100,956
2022	60,751
2023	3,440
2024	<u>507</u>
	<u>\$ 165,654</u>

**Note O--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. A matching contribution of 3% totaling \$62,427 was recorded in accrued liabilities as of June 30, 2020. There was no employer matching contribution made for the year ended June 30, 2019.

**Note P--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 \$667,290 and \$797,935 for the years ended June 30, 2020 and 2019, respectively.

Additionally, the Board Member, the company, and the Board Member's family referenced above made contributions totaling \$75,720 and \$190,383 to the Organization during the years ended June 30, 2020 and 2019, respectively.

Furthermore, a foundation associated with the above Board Member made contributions to the Organization of \$365,167 during the year ended June 30, 2019



Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2020 and 2019

**Note Q--Future Accounting Pronouncements**

On February 25, 2016, the FASB issued ASU No. 2016-02 *Leases* (Topic 842). This new standard, which the Organization is not required to adopt until its year ending June 30, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statements of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

On September 17, 2020, the FASB issued ASU No. 2020-07 *Not-for-Profit Entities* (Topic 958). This new standard, which the Organization is not required to adopt until its year ending June 30, 2022, is intended to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets include fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets.

The Organization is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.