

Financial Statements

2018

Blessings in a Backpack, Inc.

June 30, 2018 and 2017



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, 2018 and 2017, 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, 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.

Stottman and Company PSC
Louisville, Kentucky
October 18, 2018

Statements of Financial Position

Blessings in a Backpack, Inc.

	June 30, 2018		June 30, 2017	
	Local Food Programs	National Operations	Local Food Programs	National Operations
Assets				
Cash and cash equivalents	\$ 5,577,962	\$ 445,189	\$ 4,600,950	\$ 372,312
Investments	3,103,480	91,064	3,090,542	138,506
Contributions receivable, net	262,099	209,634	280,440	162,581
Prepaid expenses and other assets	4,646	4,919	47,345	16,811
Furniture and equipment, net		13,984		21,694
Total Assets	\$ 8,948,187	\$ 764,790	\$ 8,019,277	\$ 711,904
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 113,471	\$ 105,973	\$ 135,729	\$ 64,353
Other accrued expenses	7	126,278	460	93,808
Deferred event income			118,700	
Total Liabilities	113,478	232,251	254,889	158,161
Net Assets				
Unrestricted	8,255,926	311,823	7,047,778	380,161
Temporarily restricted	578,783	220,716	716,610	173,582
Total Net Assets	8,834,709	532,539	7,764,388	553,743
Total Liabilities and Net Assets	\$ 8,948,187	\$ 764,790	\$ 8,019,277	\$ 711,904

See Accompanying Notes to Financial Statements

Statements of Activities

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2018	2017
Unrestricted Net Assets		
Support		
Contributions	\$ 7,199,254	\$ 6,808,271
Grants	1,731,531	1,326,719
Fundraising events, net of direct expenses	923,568	628,509
In-kind contributions	242,795	76,809
Investment income	56,486	31,788
Other income	9,083	7,876
	<u>10,162,717</u>	<u>8,879,972</u>
Other Support		
In-kind support for public relations activities		3,713,563
Net Assets Released From Restrictions	<u>518,742</u>	<u>879,053</u>
	Total Support	13,472,588
	10,681,459	
Expenses		
Program services	7,736,426	7,543,894
General and administrative	1,188,064	996,590
Fundraising	617,159	635,203
	<u>9,541,649</u>	<u>9,175,687</u>
	Total Expenses	9,175,687
	9,541,649	
	Increase in Unrestricted Net Assets from Operating Activities	4,296,901
	1,139,810	4,296,901
Other Expenses		
In-kind public relations expense		3,713,563
	<u>1,139,810</u>	<u>583,338</u>
	Total Change in Unrestricted Net Assets	583,338
	1,139,810	583,338
Temporarily Restricted Net Assets		
Contributions	46,439	200,016
Grants	381,610	107,758
Net assets released from restrictions	(518,742)	(879,053)
	<u>(90,693)</u>	<u>(571,279)</u>
	Decrease in Temporarily Restricted Net Assets	(571,279)
	(90,693)	(571,279)
	Increase in Net Assets	12,059
	1,049,117	12,059
Net Assets Beginning of Year	<u>8,318,131</u>	<u>8,306,072</u>
	Net Assets End of Year	\$ 8,318,131
	\$ 9,367,248	\$ 8,318,131

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Blessings in a Backpack, Inc.

	Year Ended June 30, 2018			Year Ended June 30, 2017				
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Food and backpack expenses	\$ 6,544,096			\$ 6,544,096	\$ 6,428,301			\$ 6,428,301
Payroll expense	888,555	\$ 877,136	\$ 458,452	2,224,143	874,020	\$ 702,467	\$ 457,019	2,033,506
Contract services	72,171	78,310	8,156	158,637	43,334	77,223	26,251	146,808
Rent	60,016	59,335	31,349	150,700	59,284	47,232	31,400	137,916
Office supplies and postage	13,709	12,415	17,157	43,281	16,526	15,076	17,983	49,585
Utilities and telephone	17,656	14,974	9,153	41,783	15,085	11,753	8,128	34,966
Banking and other fees	13,130	9,957	35,309	58,396	8,127	10,672	26,443	45,242
Insurance	7,359	7,010	3,704	18,073	7,552	6,018	4,000	17,570
Other operating expenses	6,589	37,728	22,759	67,076	3,757	30,564	17,619	51,940
Depreciation expense		17,038		17,038		15,537		15,537
Advertising and promotion expense	71,459	15,784	7,139	94,382	18,388	9,281	9,055	36,724
Travel	37,904	57,734	23,981	119,619	41,664	42,392	37,305	121,361
Other expenses	3,782	643		4,425	27,856	28,375		56,231
	<u>\$ 7,736,426</u>	<u>\$ 1,188,064</u>	<u>\$ 617,159</u>	<u>\$ 9,541,649</u>	<u>\$ 7,543,894</u>	<u>\$ 996,590</u>	<u>\$ 635,203</u>	<u>\$ 9,175,687</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2018	2017
Operating Activities		
Increase in net assets	\$ 1,049,117	\$ 12,059
Adjustments		
Depreciation	17,038	15,537
Decrease in allowance for uncollectable contributions	(2,960)	(63,322)
Reinvested dividends and interest	(41,123)	(20,015)
Realized gain on sales of investments	(1,707)	
Changes in operating assets and liabilities		
Contributions receivable	(25,752)	188,361
Prepaid expenses and other assets	54,591	(7,878)
Accounts payable	19,362	22,254
Other accrued expenses	32,017	49,581
Deferred event income	(118,700)	118,700
Net Cash Provided By Operating Activities	981,883	315,277
Investing Activities		
Sales of investments	2,532,496	
Purchases of investments	(2,543,450)	
Transfer of investments	88,288	151,270
Purchases of equipment	(9,328)	(24,360)
Net Cash Provided By Investing Activities	68,006	126,910
Net Increase in Cash and Cash Equivalents	1,049,889	442,187
Cash and Cash Equivalents Beginning of Year	4,973,262	4,531,075
Cash and Cash Equivalents End of Year	\$ 6,023,151	\$ 4,973,262

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Blessings in a Backpack, Inc.

June 30, 2018 and 2017

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 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 revenue 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 *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, 2018 and 2017

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 support 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 \$94,382 and \$36,724 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017

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

Reclassifications--Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation. There was no effect on net assets or on the change in net assets resulting from these reclassifications.

New Nonprofit Financial Reporting Model--In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, that will change the reporting model for nonprofit organizations. Among the changes is the combining of the temporarily restricted and permanently restricted net asset classes into a single restricted net asset class entitled "net assets with donor restrictions", as well as renaming the unrestricted net asset class "net assets without donor restrictions". The new rules also make significant changes in disclosing information about liquidity and availability of resources, reporting expenses, preparing the statement of cash flows, and reporting investment return. The new rules will be effective for financial statements for fiscal years beginning after December 15, 2017. The new rules must be adopted on a retrospective basis for all years presented. The Organization is presently evaluating the effects the new reporting model on its financial statements, including disclosures.

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, 2018 and 2017, the Organization's cash accounts and cash equivalents at both banks exceeded the FDIC insured amount by approximately \$5,780,000 and \$4,978,000, 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.

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2018 and 2017

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, 2018	
	Quoted Prices in Active Markets (Level I)	Total
Money market funds	\$ 3,044,681	\$ 3,044,681
Certificates of deposit	149,863	149,863
	<u>\$ 3,194,544</u>	<u>\$ 3,194,544</u>
	Assets at Fair Value as of June 30, 2017	
	Quoted Prices in Active Markets (Level I)	Total
Money market funds	\$ 665,570	\$ 665,570
Certificates of deposit	549,140	549,140
Mutual funds - fixed income	2,014,338	2,014,338
	<u>\$ 3,229,048</u>	<u>\$ 3,229,048</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.

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2018 and 2017

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

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

	June 30	
	2018	2017
Interest and dividend income	\$ 55,558	\$ 32,424
Net unrealized loss on investments	(779)	(636)
Realized gain on investments	1,707	
Total Investment Income	\$ 56,486	\$ 31,788

Note E--Contributions Receivable

Contributions receivable consist of the following:

	June 30	
	2018	2017
Contributions receivable	\$ 483,773	\$ 458,021
Less allowance for uncollectible contributions	12,040	15,000
Contribution Receivable, Net	\$ 471,733	\$ 443,021

Note F--Furniture and Equipment

Furniture and equipment consists of the following:

	June 30	
	2018	2017
Computers	\$ 64,107	\$ 60,748
Telephone system	8,783	8,783
Software	40,075	40,075
Furniture	16,926	10,957
	129,891	120,563
Less accumulated depreciation	115,907	98,869
Furniture and Equipment, net	\$ 13,984	\$ 21,694

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2018 and 2017

Note G--Letter of Credit

As of June 30, 2018, the Organization had a bank letter of credit related to an office building lease in Chicago, Illinois, in the amount of \$23,482.

Note H--Restriction of Net Assets

Temporarily restricted net assets consist of the following:

	<u>July 1, 2017</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>June 30, 2018</u>
Contributions and grants restricted for:				
Local food programs - future school years	\$ 716,610	\$ 283,089	\$ 420,916	\$ 578,783
National operations	173,582	144,960	97,826	220,716
	<u>\$ 890,192</u>	<u>\$ 428,049</u>	<u>\$ 518,742</u>	<u>\$ 799,499</u>
	<u>July 1, 2016</u>	<u>Contributions and Grants</u>	<u>Released from Restrictions</u>	<u>June 30, 2017</u>
Contributions and grants restricted for:				
Capital assets	\$ 15,000		\$ 15,000	
Local food programs- future school years	1,122,947	\$ 249,948	656,285	\$ 716,610
National operations	323,524	57,826	207,768	173,582
	<u>\$ 1,461,471</u>	<u>\$ 307,774</u>	<u>\$ 879,053</u>	<u>\$ 890,192</u>

Northwestern University Dance Marathon--During prior fiscal years, the Organization was the primary beneficiary of this fundraiser that raised approximately \$932,000 of contributions. Of the approximately \$367,000 remaining, approximately \$76,000 is restricted to fund national operations during fiscal years 2019 and 2020.

Contributions Restricted for Local Food Programs--Contributions restricted for local food programs consist of amounts received which are designated for specific schools for the 2019 and 2020 school years.

The Organization has no permanently restricted net assets.

Note I--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.

Blessings in a Backpack, Inc.

June 30, 2018 and 2017

Note J--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:

	<u>June 30</u>	
	<u>2018</u>	<u>2017</u>
Revenues	\$ 1,505,314	\$ 1,018,153
Direct expenses	<u>581,746</u>	<u>389,644</u>
Fundraising Events, net of direct expenses	<u><u>\$ 923,568</u></u>	<u><u>\$ 628,509</u></u>

Note K--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, 2018 and 2017 was \$150,700 and \$137,916 respectively.

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

<u>Year Ending June 30</u>	
2019	\$ 143,490
2020	103,228
2021	99,966
2022	59,431
2023	<u>2,120</u>
	<u><u>\$ 408,235</u></u>

Note L--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, 2018 or 2017.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2018 and 2017

Note M--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 \$817,255 and \$841,197 for the years ended June 30, 2018 and 2017, respectively.

Additionally, the Board Member, the company, and the Board Member's family referenced above made contributions totaling \$135,844 and \$100,000 to the Organization during the years ended June 30, 2018 and 2017, respectively.

Furthermore, a foundation associated with the above Board Member made contributions to the Organization of \$408,333 and \$375,000 during the years ended June 30, 2018 and 2017, respectively.

Note N--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 October 18, 2018, 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.