

Financial Statements

2013

**Blessings in a Backpack, Inc.**

June 30, 2013 and 2012



Financial Statements

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June 30, 2013 and 2012

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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 statement of Blessings in a Backpack, Inc. (the "Organization"), which are comprised of the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Strollman & Company PSC*  
Louisville, Kentucky  
October 1, 2013

Statements of Financial Position

**Blessings in a Backpack, Inc.**

		<b>June 30</b>	
		<b>2013</b>	<b>2012</b>
<b>Assets</b>			
Cash and cash equivalents	\$	3,549,222	\$ 1,559,495
Contributions receivable		423,560	825,512
Prepaid expenses and other assets		20,110	37,972
Furniture and equipment, net		16,813	31,854
<b>Total Assets</b>	<b>\$</b>	<b>4,009,705</b>	<b>\$ 2,454,833</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$	47,607	\$ 33,787
Other accrued expenses		11,338	8,628
<b>Total Liabilities</b>		58,945	42,415
<b>Net Assets</b>			
Unrestricted		3,715,077	2,050,712
Temporarily restricted		235,683	361,706
<b>Total Net Assets</b>		<b>3,950,760</b>	<b>2,412,418</b>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>4,009,705</b>	<b>\$ 2,454,833</b>

See Accompanying Notes to Financial Statements

Statements of Activities

**Blessings in a Backpack, Inc.**

	<b>Year Ended June 30</b>	
	<b>2013</b>	<b>2012</b>
<b>Unrestricted Net Assets</b>		
<b>Support and Revenues</b>		
Contributions	\$ 4,308,513	\$ 3,424,856
Grants	689,316	279,260
Fundraising events, net of direct expenses	360,800	373,803
In-kind contributions	105,202	129,617
Interest income	2,691	1,802
Other income	535	2,070
	<u>5,467,057</u>	<u>4,211,408</u>
<b>Net Assets Released From Restrictions</b>	<u>361,706</u>	<u>343,383</u>
<b>Total Support and Revenues</b>	<u>5,828,763</u>	<u>4,554,791</u>
<b>Expenses</b>		
Program services	3,662,466	2,720,545
General and administrative	271,312	246,951
Fundraising	230,620	320,926
<b>Total Expenses</b>	<u>4,164,398</u>	<u>3,288,422</u>
<b>Increase in Unrestricted Net Assets</b>	<u>1,664,365</u>	<u>1,266,369</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	235,683	300,049
Net assets released from restrictions	<u>(361,706)</u>	<u>(343,383)</u>
<b>Decrease in Temporarily Restricted Net Assets</b>	<u>(126,023)</u>	<u>(43,334)</u>
<b>Increase in Net Assets</b>	<u>1,538,342</u>	<u>1,223,035</u>
<b>Net Assets Beginning of Year</b>	<u>2,412,418</u>	<u>1,189,383</u>
<b>Net Assets End of Year</b>	<u><u>\$ 3,950,760</u></u>	<u><u>\$ 2,412,418</u></u>

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Blessings in a Backpack, Inc.

	Year Ended June 30, 2013				Year Ended June 30, 2012			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Food and backpack expenses	\$ 3,420,391			\$ 3,420,391	\$ 2,451,212			\$ 2,451,212
Payroll expense	141,896	\$ 149,821	\$ 146,278	437,995	125,986	\$ 140,165	\$ 201,714	467,865
Contract services	36,044	42,194	25,728	103,966	73,472	35,510	34,014	142,996
Operating expenses	44,816	26,423	41,650	112,889	48,650	26,388	28,310	103,348
Depreciation expense		19,361		19,361		23,973		23,973
Advertising and promotion expense	7,485	6,096	6,441	20,022	10,034	2,495	8,749	21,278
Travel	11,829	27,411	10,523	49,763	8,976	18,420	48,139	75,535
Other expenses	5	6		11	2,215			2,215
	<u>\$ 3,662,466</u>	<u>\$ 271,312</u>	<u>\$ 230,620</u>	<u>\$ 4,164,398</u>	<u>\$ 2,720,545</u>	<u>\$ 246,951</u>	<u>\$ 320,926</u>	<u>\$ 3,288,422</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

**Blessings in a Backpack, Inc.**

	<b>Year Ended June 30</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating Activities</b>		
Increase in net assets	\$ 1,538,342	\$ 1,223,035
Adjustments		
Depreciation	19,361	23,973
Unamortized discount on pledges receivable		5,010
Changes in operating assets and liabilities		
Contributions receivable	401,952	(433,218)
Prepaid expenses and other assets	17,862	84,273
Accounts payable	13,820	5,127
Other accrued expenses	2,710	7,478
<b>Net Cash Provided By Operating Activities</b>	<b>1,994,047</b>	<b>915,678</b>
<b>Investing Activities</b>		
Purchase of equipment	(4,320)	(40,624)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,989,727</b>	<b>875,054</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>1,559,495</b>	<b>684,441</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 3,549,222</b>	<b>\$ 1,559,495</b>

See Accompanying Notes to Financial Statements



## Notes to Financial Statements

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

June 30, 2013 and 2012

#### **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.

All funds raised by or designated for particular local programs are used for that purpose. The local programs do not pay for any of the general and administrative expenses, which are solely funded by the Organization.

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 investments purchased with maturities of less than ninety days to be cash equivalents.

Contributions Receivable--Management periodically reviews the collectability of contributions receivable, and any amounts determined to be uncollectible are charged off to bad debt expense. All contributions receivable were considered to be fully collectible at June 30, 2013 and 2012, thus no allowance for uncollectible contributions receivable has been recorded.

Furniture and Equipment--The Organization capitalizes all expenditures for furniture and equipment in excess of \$2,500, which are recorded at cost, if purchased, or fair market value at date of gift, if donated. Depreciation is computed using accelerated methods.

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 statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period 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 accounting period 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.

Continued

Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2013 and 2012

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

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 \$20,022 and \$21,278 for the years ended June 30, 2013 and 2012, 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 conformity 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, revenues 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.

The Organization adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The Organization determined that it had no uncertain tax positions and therefore, the implementation had no effect on its financial statements. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses. The tax returns for the fiscal years ended June 30, 2012 and 2011, and the period ended June 30, 2010 remain subject to examination by the Internal Revenue Service.

Date of Management's Review--In preparing these financial statements, the management of the Organization has evaluated events and transactions for potential recognition or disclosure through October 1, 2013, the date the financial statements were available to be issued.

**Note B--Concentrations**

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, 2013 and 2012, the Organization's cash account at one bank exceeded the FDIC insured amount by approximately \$3,284,000 and \$277,000, respectively.

Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2013 and 2012

**Note C--Contributions Receivable**

Contributions receivable as of June 30, 2013 are expected to be collected during the year ended June 30, 2014.

As of June 30, 2013 and 2012 approximately 78% and 61%, respectively of the contributions receivable were associated with either a Board Member, a company in which a Board Member has a significant ownership/management relationship, or a foundation associated with the Board Member.

**Note D--Furniture and Equipment**

Furniture and equipment consists of the following:

	<b>June 30</b>	
	<b>2013</b>	<b>2012</b>
Computers	\$ 23,256	\$ 23,256
Telephone system	8,783	8,783
Software	36,360	32,040
Furniture	1,272	1,272
	69,671	65,351
Less accumulated depreciation	52,858	33,497
<b>Furniture and Equipment, net</b>	<b>\$ 16,813</b>	<b>\$ 31,854</b>

**Note E--Restriction of Net Assets**

Temporarily restricted net assets consist of the following:

	<b>June 30, 2012</b>	<b>Contributions</b>	<b>Released from Restrictions</b>	<b>June 30, 2013</b>
Contributions restricted for:				
Non-program expenses	\$ 66,667		\$ 66,667	
Future school years	295,039	\$ 235,683	295,039	\$ 235,683
	<u>\$ 361,706</u>	<u>\$ 235,683</u>	<u>\$ 361,706</u>	<u>\$ 235,683</u>

Continued

Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2013 and 2012

**Note E--Restriction of Net Assets--Continued**

	<u>June 30, 2011</u>	<u>Contributions</u>	<u>Released from Restrictions</u>	<u>June 30, 2012</u>
Contributions restricted for:				
Non-program expenses	\$ 405,040	\$ 5,010	\$ 343,383	\$ 66,667
Future school years		295,039		295,039
	<u>\$ 405,040</u>	<u>\$ 300,049</u>	<u>\$ 343,383</u>	<u>\$ 361,706</u>

Contributions Restricted for Future School Years--Contributions restricted for future school years consist of amounts received during the fiscal year ended June 30, 2013 which are designated for specific schools for the 2013-2014 school year.

The Organization has no permanently restricted net assets.

**Note F--Fundraising Events**

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

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Revenues	\$ 707,260	\$ 1,374,050
Direct expenses	346,460	1,000,247
<b>Fundraising events, net of direct expenses</b>	<u>\$ 360,800</u>	<u>\$ 373,803</u>

**Note G--Lease Commitments**

The Organization entered into a non-cancelable operating lease for office facilities in January 2012. The lease expired in December 2012, and since then the Organization has been renting these office facilities on a month-to-month basis for \$2,253 per month. Total lease expense for the fiscal years ended June 30, 2013 and 2012 amounted to \$27,036 and \$26,753, \$7,000 of which was in-kind revenue, respectively.

Notes to Financial Statements--Continued

**Blessings in a Backpack, Inc.**

June 30, 2013 and 2012

**Note H--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 \$238,682 and \$238,904 for the years ended June 30, 2013 and 2012, respectively.

The Organization received a promise to give from the above referenced company amounting to \$250,000 during the year ended June 30, 2012. Additionally, the Board Member referenced above made a promise to give of \$79,717 during the year ended June 30, 2013.

Furthermore, a foundation associated with the above Board Member made annual promises to give of \$250,000 during the years ended June 30, 2013 and 2012.