

Financial Statements

2014

Blessings in a Backpack, Inc.

June 30, 2014 and 2013



Financial Statements

Blessings in a Backpack, Inc.

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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, 2014 and 2013, 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, 2014 and 2013, 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.

Stallman and Company PSC
Louisville, Kentucky
December 4, 2014

Statements of Financial Position

Blessings in a Backpack, Inc.

	June 30	
	2014	2013
Assets		
Cash and cash equivalents	\$ 3,950,550	\$ 3,549,222
Contributions receivable	560,170	423,560
Investments	999,911	
Prepaid expenses and other assets	41,980	20,110
Furniture and equipment, net	10,793	16,813
	<u>5,563,404</u>	<u>4,009,705</u>
Total Assets	\$ 5,563,404	\$ 4,009,705
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 54,097	\$ 47,607
Other accrued expenses	24,164	11,338
	<u>78,261</u>	<u>58,945</u>
Total Liabilities	78,261	58,945
Net Assets		
Unrestricted	5,423,666	3,715,077
Temporarily restricted	61,477	235,683
	<u>5,485,143</u>	<u>3,950,760</u>
Total Net Assets	5,485,143	3,950,760
Total Liabilities and Net Assets	\$ 5,563,404	\$ 4,009,705

See Accompanying Notes to Financial Statements

Statements of Activities

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2014	2013
Unrestricted Net Assets		
Support		
Contributions	\$ 4,735,826	\$ 4,308,513
Grants	1,036,407	689,316
Fundraising events, net of direct expenses	595,916	361,125
In-kind contributions	142,461	105,202
Interest income	10,519	2,691
Other income	3,267	535
	<u>6,524,396</u>	<u>5,467,382</u>
Net Assets Released From Restrictions	<u>235,683</u>	<u>361,706</u>
Total Support	6,760,079	5,829,088
Expenses		
Program services	4,329,204	3,662,791
General and administrative	407,296	271,312
Fundraising	314,990	230,620
	<u>5,051,490</u>	<u>4,164,723</u>
Total Expenses	5,051,490	4,164,723
Increase in Unrestricted Net Assets	1,708,589	1,664,365
Temporarily Restricted Net Assets		
Contributions	61,477	235,683
Net assets released from restrictions	<u>(235,683)</u>	<u>(361,706)</u>
Decrease in Temporarily Restricted Net Assets	<u>(174,206)</u>	<u>(126,023)</u>
Increase in Net Assets	1,534,383	1,538,342
Net Assets Beginning of Year	<u>3,950,760</u>	<u>2,412,418</u>
Net Assets End of Year	<u>\$ 5,485,143</u>	<u>\$ 3,950,760</u>

See Accompanying Notes to Financial Statements

Statements of Functional Expenses
Blessings in a Backpack, Inc.

	Year Ended June 30, 2014			Year Ended June 30, 2013			
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising	Total
Food and backpack expenses	\$ 4,000,852	\$ 133	\$ 179,575	\$ 3,420,391	\$ 149,821	\$ 146,278	\$ 3,420,391
Payroll expense	251,471	229,183		141,896	42,194	25,728	437,995
Contract services	22,660	61,001	70,961	36,044	26,423	41,650	103,966
Operating expenses	28,888	39,326	45,591	45,141	19,361		113,214
Depreciation expense		15,464			6,096	6,441	19,361
Advertising and promotion expense	7,495	23,476	2,181	7,485	27,411	10,523	20,022
Travel	16,603	32,957	16,682	11,829	6		49,763
Other expenses	1,235	5,756		5			11
	\$ 4,329,204	\$ 407,296	\$ 314,990	\$ 3,662,791	\$ 271,312	\$ 230,620	\$ 4,164,723

Statements of Cash Flows

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2014	2013
Operating Activities		
Increase in net assets	\$ 1,534,383	\$ 1,538,342
Adjustments		
Depreciation	15,464	19,361
Changes in operating assets and liabilities		
Contributions receivable	(136,610)	401,952
Prepaid expenses and other assets	(21,870)	17,862
Accounts payable	6,490	13,820
Other accrued expenses	12,826	2,710
Net Cash Provided By Operating Activities	1,410,683	1,994,047
Investing Activities		
Purchases of investments	(999,911)	
Purchases of equipment	(9,444)	(4,320)
Net Cash Used In Investing Activities	(1,009,355)	(4,320)
Net Increase in Cash and Cash Equivalents	401,328	1,989,727
Cash and Cash Equivalents Beginning of Year	3,549,222	1,559,495
Cash and Cash Equivalents End of Year	\$ 3,950,550	\$ 3,549,222

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Blessings in a Backpack, Inc.

June 30, 2014 and 2013

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 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.

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.

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, 2014 and 2013, 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 \$500, which are recorded at cost, if purchased, or fair market value at date of gift, if donated. Depreciation is computed using the straight-line method.

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.

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2014 and 2013

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

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 \$33,152 and \$20,022 for the years ended June 30, 2014 and 2013, 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 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, 2013, 2012 and 2011 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 December 4, 2014, 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, 2014 and 2013, the Organization's cash accounts at one bank exceeded the FDIC insured amount by approximately \$3,554,000 and \$3,284,000, respectively.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

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Note C--Contributions Receivable

As of June 30, 2014 and 2013 approximately 48% and 78%, 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--Investments and Fair Value Measurements

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: *Level 1* inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and *Level 3* inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using *Level 1* inputs because they generally provide the most reliable evidence of fair value. *Level 3* inputs were only used when *Level 1* or *Level 2* inputs were not available.

Level 1 Fair Value Measurements – The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year end.

The following table presents the fair value of investments at June 30, 2014:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market funds	\$ 518,082
Certificates of deposit	81,757
Mutual funds - fixed income	<u>400,072</u>
	<u>\$ 999,911</u>

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2014 and 2013

Note E--Furniture and Equipment

Furniture and equipment consists of the following:

	June 30	
	2014	2013
Computers	\$ 24,704	\$ 23,256
Telephone system	8,783	8,783
Software	37,575	36,360
Furniture	8,053	1,272
	<u>79,115</u>	<u>69,671</u>
Less accumulated depreciation	<u>68,322</u>	<u>52,858</u>
Furniture and Equipment, net	<u><u>\$ 10,793</u></u>	<u><u>\$ 16,813</u></u>

Note F--Restriction of Net Assets

Temporarily restricted net assets consist of the following:

	June 30, 2013	Contributions	Released from Restrictions	June 30, 2014
Contributions restricted for:				
Future school years	<u>\$ 235,683</u>	<u>\$ 61,477</u>	<u>\$ 235,683</u>	<u>\$ 61,477</u>
	<u><u>\$ 235,683</u></u>	<u><u>\$ 61,477</u></u>	<u><u>\$ 235,683</u></u>	<u><u>\$ 61,477</u></u>
	June 30, 2012	Contributions	Released from Restrictions	June 30, 2013
Contributions restricted for:				
Non-program expenses	\$ 66,667		\$ 66,667	
Future school years	<u>295,039</u>	<u>\$ 235,683</u>	<u>295,039</u>	<u>\$ 235,683</u>
	<u><u>\$ 361,706</u></u>	<u><u>\$ 235,683</u></u>	<u><u>\$ 361,706</u></u>	<u><u>\$ 235,683</u></u>

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2014 and 2013

Note F--Restriction of Net Assets--Continued

Contributions Restricted for Future School Years--Contributions restricted for future school years consist of amounts received during the fiscal year ended June 30, 2014 which are designated for specific schools for the 2014-2015 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	
	2014	2013
Revenues	\$ 1,306,640	\$ 707,260
Direct expenses	710,724	346,135
Fundraising Events, net of direct expenses	\$ 595,916	\$ 361,125

Note H--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, 2014 and 2013 amounted to \$27,036, which included \$7,000 of in-kind revenue.

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 \$289,071 and \$238,682 for the years ended June 30, 2014 and 2013, respectively.

Additionally, the Board Member referenced above made a contribution of \$79,717 to the Organization during the year ended June 30, 2013.

Furthermore, a foundation associated with the above Board Member made annual contributions of \$270,000 and \$250,000 during the years ended June 30, 2014 and 2013, respectively.