

Financial Statements

2015

Blessings in a Backpack, Inc.

June 30, 2015 and 2014



Strothman+Co

Financial Statements

Blessings in a Backpack, Inc.

June 30, 2015 and 2014

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2015 and 2014, 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, 2015 and 2014, 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 22, 2015

Statements of Financial Position

Blessings in a Backpack, Inc.

	June 30	
	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 3,947,669	\$ 3,950,550
Investments	2,589,489	999,911
Contributions receivable, net	572,187	560,170
Prepaid expenses and other assets	52,210	41,980
Furniture and equipment, net	<u>7,269</u>	<u>10,793</u>
Total Assets	<u><u>7,168,824</u></u>	<u><u>5,563,404</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 188,462	\$ 54,097
Other accrued expenses	21,281	24,164
Prepaid event revenues	<u>128,250</u>	<u></u>
Total Liabilities	337,993	78,261
Net Assets		
Unrestricted	6,629,955	5,423,666
Temporarily restricted	<u>200,876</u>	<u>61,477</u>
Total Net Assets	<u><u>6,830,831</u></u>	<u><u>5,485,143</u></u>
Total Liabilities and Net Assets	<u><u>\$ 7,168,824</u></u>	<u><u>\$ 5,563,404</u></u>

See Accompanying Notes to Financial Statements

Statements of Activities

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2015	2014
Unrestricted Net Assets		
Support		
Contributions	\$ 5,318,056	\$ 4,735,826
Grants	1,507,416	1,036,407
Fundraising events, net of direct expenses	598,858	595,916
In-kind contributions	151,841	142,461
Investment income	19,596	10,519
Other income	31,878	3,267
	<u>7,627,645</u>	<u>6,524,396</u>
Net Assets Released From Restrictions	<u>61,477</u>	<u>235,683</u>
Total Support	7,689,122	6,760,079
Expenses		
Program services	5,481,518	4,329,337
General and administrative	524,872	407,163
Fundraising	476,443	314,990
	<u>6,482,833</u>	<u>5,051,490</u>
Total Expenses	6,482,833	5,051,490
Increase in Unrestricted Net Assets	1,206,289	1,708,589
Temporarily Restricted Net Assets		
Contributions	200,876	61,477
Net assets released from restrictions	<u>(61,477)</u>	<u>(235,683)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>139,399</u>	<u>(174,206)</u>
Increase in Net Assets	1,345,688	1,534,383
Net Assets Beginning of Year	<u>5,485,143</u>	<u>3,950,760</u>
Net Assets End of Year	<u>\$ 6,830,831</u>	<u>\$ 5,485,143</u>

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Blessings in a Backpack, Inc.

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Food and backpack expenses	\$ 5,062,488			\$ 5,062,488	\$ 4,000,985			\$ 4,000,985
Payroll expense	315,304	\$ 228,867	\$ 252,875	797,046	251,471	\$ 229,183	\$ 179,575	660,229
Contract services	39,551	168,422	132,746	340,719	22,660	61,001	70,961	154,622
Operating expenses	41,162	49,612	71,771	162,545	28,888	39,326	45,591	113,805
Depreciation expense		8,231		8,231		15,464		15,464
Advertising and promotion expense	3,566	34,570	169	38,305	7,495	23,476	2,181	33,152
Travel	19,247	35,170	18,882	73,299	16,603	32,957	16,682	66,242
Other expenses	200			200	1,235	5,756		6,991
	<u>\$ 5,481,518</u>	<u>\$ 524,872</u>	<u>\$ 476,443</u>	<u>\$ 6,482,833</u>	<u>\$ 4,329,337</u>	<u>\$ 407,163</u>	<u>\$ 314,990</u>	<u>\$ 5,051,490</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2015	2014
Operating Activities		
Increase in net assets	\$ 1,345,688	\$ 1,534,383
Adjustments		
Depreciation	8,231	15,464
Increase in allowance for doubtful accounts	25,000	
Reinvested dividends and interest	(9,578)	
Changes in operating assets and liabilities		
Contributions receivable	(37,017)	(136,610)
Prepaid expenses and other assets	(10,230)	(21,870)
Accounts payable	134,365	6,490
Other accrued expenses	(2,883)	12,826
Prepaid event revenues	128,250	
Net Cash Provided By Operating Activities	1,581,826	1,410,683
Investing Activities		
Purchases of investments	(1,580,000)	(999,911)
Purchases of equipment	(4,707)	(9,444)
Net Cash Used In Investing Activities	(1,584,707)	(1,009,355)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,881)	401,328
Cash and Cash Equivalents Beginning of Year	3,950,550	3,549,222
Cash and Cash Equivalents End of Year	\$ 3,947,669	\$ 3,950,550

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Blessings in a Backpack, Inc.

June 30, 2015 and 2014

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 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, 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. Contributions are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

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 over the estimated useful lives of the related assets.

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, 2015 and 2014

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 \$38,305 and \$33,152 for the years ended June 30, 2015 and 2014, 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, 2014, 2013 and 2012 remain subject to examination by the Internal Revenue Service.

Note B--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, 2015 and 2014, the Organization's cash accounts at both banks exceeded the FDIC insured amount by approximately \$3,581,000 and \$3,554,000, respectively.

Blessings in a Backpack, Inc.

June 30, 2015 and 2014

Note C--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 (unadjusted) 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.

The following table presents the fair value of investments:

	Assets at Fair Value as of June 30, 2015		
	Level 1 Inputs	Level 2 Inputs	Total
Money market funds	\$ 519,889		\$ 519,889
Certificates of deposit		\$ 83,074	83,074
Mutual funds - fixed income	1,986,526		1,986,526
	<u>\$ 2,506,415</u>	<u>\$ 83,074</u>	<u>\$ 2,589,489</u>

	Assets at Fair Value as of June 30, 2014		
	Level 1 Inputs	Level 2 Inputs	Total
Money market funds	\$ 518,082		\$ 518,082
Certificates of deposit		\$ 81,757	81,757
Mutual funds - fixed income	400,072		400,072
	<u>\$ 918,154</u>	<u>\$ 81,757</u>	<u>\$ 999,911</u>

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2015 and 2014

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

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.

Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of 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.

Note D--Contributions Receivable

Contributions receivable consist of the following:

	June 30	
	2015	2014
Contributions receivable	\$ 597,187	\$ 560,170
Less allowance for uncollectible contributions	25,000	
Contribution Receivable, Net	\$ 572,187	\$ 560,170

Future maturities of contributions receivable are as follows:

Amounts due in:	
Less than one year	\$ 478,767
One to two years	118,420
Contributions Receivable, Gross	\$ 597,187

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2015 and 2014

Note E--Furniture and Equipment, net

Furniture and equipment consists of the following:

	June 30	
	2015	2014
Computers	\$ 29,411	\$ 24,704
Telephone system	8,783	8,783
Software	37,575	37,575
Furniture	8,053	8,053
	<u>83,822</u>	<u>79,115</u>
Less accumulated depreciation	<u>76,553</u>	<u>68,322</u>
Furniture and Equipment, net	<u><u>\$ 7,269</u></u>	<u><u>\$ 10,793</u></u>

Note F--Restriction of Net Assets

Temporarily restricted net assets consist of the following:

	June 30, 2014	Contributions	Released from Restrictions	June 30, 2015
Contributions restricted for:				
Future school years	\$ 61,477	\$ 200,876	\$ 61,477	\$ 200,876
	<u>\$ 61,477</u>	<u>\$ 200,876</u>	<u>\$ 61,477</u>	<u>\$ 200,876</u>
	June 30, 2013	Contributions	Released from Restrictions	June 30, 2014
Contributions restricted for:				
Future school years	\$ 235,683	\$ 61,477	235,683	\$ 61,477
	<u>\$ 235,683</u>	<u>\$ 61,477</u>	<u>\$ 235,683</u>	<u>\$ 61,477</u>

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2015 and 2014

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, 2015 which are designated for specific schools for the 2015-2016 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	
	<u>2015</u>	<u>2014</u>
Revenues	\$ 1,152,546	\$ 1,306,640
Direct expenses	<u>553,688</u>	<u>710,724</u>
Fundraising Events, net of direct expenses	<u>\$ 598,858</u>	<u>\$ 595,916</u>

Note H--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, 2015 and 2014 was \$45,703 and \$27,036 respectively.

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

<u>Year Ending June 30</u>	
2016	\$ 48,946
2017	47,292
2018	<u>3,941</u>
	<u>\$ 100,179</u>

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2015 and 2014

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 \$379,002 and \$289,071 for the years ended June 30, 2015 and 2014, respectively.

Additionally, the Board Member and the Board Member's family referenced above made a contribution of \$105,000 to the Organization during the year ended June 30, 2015.

Furthermore, a foundation associated with the above Board Member made contributions to the Organization of \$295,000 and \$270,000 during the years ended June 30, 2015 and 2014, respectively.

Note J--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 22, 2015, 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.