

Financial Statements

2019

Blessings in a Backpack, Inc.

June 30, 2019 and 2018



Financial Statements

Blessings in a Backpack, Inc.

June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 to the financial statements, the Organization adopted the requirements of Financial Accounting Standards Board's *Accounting Standards Update* ("ASU") No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements for Not-For-Profit Entities*. The 2018 financial statements have been restated to conform to the 2019 presentation and disclosure requirements of ASU No. 2016-14. Our opinion is not modified due to this change.


Louisville, Kentucky
November 5, 2019

Statements of Financial Position

Blessings in a Backpack, Inc.

	June 30, 2019		June 30, 2018	
	Local Food Programs	National Operations	Local Food Programs	National Operations
Assets				
Cash and cash equivalents	\$ 5,694,432	\$ 160,869	\$ 5,577,962	\$ 445,189
Investments	3,106,957	24,743	3,103,480	91,064
Contributions receivable, net	226,674	523,478	262,099	209,634
Prepaid expenses and other assets	238	34,322	4,646	4,919
Furniture and equipment, net				13,984
Total Assets	\$ 9,028,301	\$ 743,412	\$ 8,948,187	\$ 764,790
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 132,490	\$ 67,555	\$ 113,471	\$ 105,973
Other accrued expenses	2,015	202,073	7	126,278
Deferred event income		120,975		
Total Liabilities	134,505	390,603	113,478	232,251
Net Assets				
Without donor restrictions	8,576,019	204,122	8,255,926	311,823
With donor restrictions	317,777	148,687	578,783	220,716
Total Net Assets	8,893,796	352,809	8,834,709	532,539
Total Liabilities and Net Assets	\$ 9,028,301	\$ 743,412	\$ 8,948,187	\$ 764,790

See Accompanying Notes to Financial Statements

Statements of Activities

Blessings in a Backpack, Inc.

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support						
Contributions	\$ 7,703,473	\$ 30,773	\$ 7,734,246	\$ 7,199,254	\$ 46,439	\$ 7,245,693
Grants	895,939	234,914	1,130,853	1,731,531	381,610	2,113,141
Fundraising events less direct benefits to donors	951,280		951,280	1,505,314		1,505,314
	<u>365,450</u>		<u>365,450</u>	<u>527,136</u>		<u>527,136</u>
	585,830		585,830	978,178		978,178
In-kind contributions	1,878,430		1,878,430	242,795		242,795
Investment income	86,917		86,917	56,486		56,486
Other income	80,187		80,187	9,083		9,083
	<u>11,230,776</u>	<u>265,687</u>	<u>11,496,463</u>	<u>10,217,327</u>	<u>428,049</u>	<u>10,645,376</u>
Net Assets Released From Donor Imposed Restrictions	<u>598,722</u>	<u>(598,722)</u>		<u>518,742</u>	<u>(518,742)</u>	
Total Support	<u>11,829,498</u>	<u>(333,035)</u>	<u>11,496,463</u>	<u>10,736,069</u>	<u>(90,693)</u>	<u>10,645,376</u>
Expenses						
Program services	9,642,016		9,642,016	7,736,426		7,736,426
General and administrative	1,011,448		1,011,448	1,188,064		1,188,064
Fundraising	963,642		963,642	671,769		671,769
	<u>11,617,106</u>		<u>11,617,106</u>	<u>9,596,259</u>		<u>9,596,259</u>
Total Expenses						
Increase (Decrease) in Net Assets	212,392	(333,035)	(120,643)	1,139,810	(90,693)	1,049,117
Net Assets Beginning of Year	<u>8,567,749</u>	<u>799,499</u>	<u>9,367,248</u>	<u>7,427,939</u>	<u>890,192</u>	<u>8,318,131</u>
Net Assets End of Year	<u>\$ 8,780,141</u>	<u>\$ 466,464</u>	<u>\$ 9,246,605</u>	<u>\$ 8,567,749</u>	<u>\$ 799,499</u>	<u>\$ 9,367,248</u>

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Blessings in a Backpack, Inc.

	Year Ended June 30, 2019			Year Ended June 30, 2018			
	Program Services	General and Administrative	Fundraising	Program Services	General and Administrative	Fundraising	Total
							Total
Food and backpack expenses	\$ 6,798,651			\$ 6,798,651			\$ 6,798,651
Payroll expense	1,025,664	\$ 735,130	\$ 570,698	888,555	\$ 877,136	\$ 458,452	\$ 2,224,143
Contract services	97,859	73,031	5,730	72,171	78,310	8,156	158,637
Administrative expenses	136,515	149,146	123,428	118,459	141,419	119,431	379,309
Depreciation expense		15,367			17,038		17,038
Marketing expenses	19,203	7,432	57,648	71,459	15,784	61,749	148,992
Travel	43,304	30,292	26,958	37,904	57,734	23,981	119,619
In-kind expenses	1,520,820	1,050	179,180	3,782	643		4,425
	<u>\$ 9,642,016</u>	<u>\$ 1,011,448</u>	<u>\$ 963,642</u>	<u>\$ 7,736,426</u>	<u>\$ 1,188,064</u>	<u>\$ 671,769</u>	<u>\$ 9,596,259</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2019	2018
Operating Activities		
Increase (decrease) in net assets	\$ (120,643)	\$ 1,049,117
Adjustments		
Depreciation	15,367	17,038
Decrease in allowance for uncollectable contributions		(2,960)
Reinvested dividends and interest	(65,344)	(41,902)
Realized gain on sales of investments	(19)	(1,707)
Unrealized gain (loss) on investments	(1,838)	779
Changes in operating assets and liabilities		
Contributions receivable	(278,419)	(25,752)
Prepaid expenses and other assets	(24,995)	54,591
Accounts payable	(19,399)	19,362
Other accrued expenses	77,803	32,017
Deferred event income	120,975	(118,700)
Net Cash Provided By (Used In) Operating Activities	(296,512)	981,883
Investing Activities		
Sales of investments	130,045	2,532,496
Purchases of investments		(2,543,450)
Transfer of investments		88,288
Purchases of equipment	(1,383)	(9,328)
Net Cash Provided By Investing Activities	128,662	68,006
Net Increase (Decrease) in Cash and Cash Equivalents	(167,850)	1,049,889
Cash and Cash Equivalents Beginning of Year	6,023,151	4,973,262
Cash and Cash Equivalents End of Year	\$ 5,855,301	\$ 6,023,151

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Blessings in a Backpack, Inc.

June 30, 2019 and 2018

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 *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, 2019 and 2018.

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, 2019 and 2018

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 \$42,868 and \$94,382 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018

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

Reclassifications--Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 presentation. There was no effect on net assets or on the change in net assets resulting from these reclassifications.

New Accounting Pronouncement--During the fiscal year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's ASU No. 2016-14. This standard addressed the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU No. 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note H).

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, 2019 and 2018, the Organization's cash accounts and cash equivalents at both banks exceeded the FDIC insured amount by approximately \$4,633,000 and \$5,780,000, 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, 2019 and 2018

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

The following table presents the fair value of investments:

	Asset as Fair Value as of	
	June 30, 2019	June 30, 2018
	Quoted Prices in Active Markets (Level I)	Quoted Prices in Active Markets (Level I)
Money market funds	\$ 3,131,700	\$ 3,044,681
Certificates of deposit		149,863
	<u>\$ 3,131,700</u>	<u>\$ 3,194,544</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:

	June 30	
	2019	2018
Interest and dividend income	\$ 85,060	\$ 55,558
Net unrealized gain (loss) on investments	1,838	(779)
Realized gain on investments	19	1,707
Total Investment Income	<u>\$ 86,917</u>	<u>\$ 56,486</u>

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2019 and 2018

Note E--Contributions Receivable

Contributions receivable consist of the following:

	June 30	
	2019	2018
Contributions receivable	\$ 762,192	\$ 483,773
Less allowance for uncollectible contributions	12,040	12,040
Contribution Receivable, Net	\$ 750,152	\$ 471,733

Note F--Furniture and Equipment

Furniture and equipment consists of the following:

	June 30	
	2019	2018
Computers	\$ 65,491	\$ 64,107
Telephone system	8,783	8,783
Software	40,075	40,075
Furniture	16,926	16,926
	131,275	129,891
Less accumulated depreciation	131,275	115,907
Furniture and Equipment, net	\$	\$ 13,984

Note G--Deferred Event Income

As of June 30, 2019, the Organization had received payments for sponsorships and donations totaling \$120,975, to support the BIB golf fundraising event. Since this event did not take place until after June 30, 2019, this fundraiser support has been recorded as deferred event income. When this event takes place, this support will be recognized as fundraiser income.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2019 and 2018

Note H--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.

	June 30	
	2019	2018
Cash and cash equivalents	\$ 5,855,301	\$ 6,023,151
Investments	3,131,700	3,194,544
Contributions receivable, net	<u>750,152</u>	<u>471,733</u>
Total Financial Assets	9,737,153	9,689,428
Less net assets with donor-imposed restrictions	<u>466,464</u>	<u>799,499</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 9,270,689</u>	<u>\$ 8,889,929</u>

Note I--Letter of Credit

As of June 30, 2019, the Organization had a bank letter of credit related to an office building lease in Chicago, Illinois, in the amount of \$23,482.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2019 and 2018

Note J--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:

	June 30	
	2019	2018
Restricted for Specified Purpose:		
New upcoming schools	\$ 30,773	\$ 51,086
Corporate employee engagement	154,250	76,800
Event and meeting sponsor	8,375	
Volunteer capacity building		50,000
	<hr/>	<hr/>
Total	193,398	177,886
Restricted by Time:		
Program funding for specific future years	273,066	621,613
	<hr/>	<hr/>
	\$ 466,464	\$ 799,499
	<hr/> <hr/>	<hr/> <hr/>

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, 2019 and 2018 was \$152,332 and \$150,700 respectively.

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

<u>Year Ending June 30</u>	
2020	\$ 103,228
2021	99,966
2022	59,431
2023	2,120
	<hr/>
	\$ 264,745
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Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2019 and 2018

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, 2019 or 2018.

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 \$797,935 and \$817,255 for the years ended June 30, 2019 and 2018, respectively.

Additionally, the Board Member, the company, and the Board Member's family referenced above made contributions totaling \$190,383 and \$135,844 to the Organization during the years ended June 30, 2019 and 2018, respectively.

Furthermore, a foundation associated with the above Board Member made contributions to the Organization of \$365,167 and \$408,333 during the years ended June 30, 2019 and 2018, 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 November 5, 2019, the date the financial statements were available to be issued, and concluded that, except as mentioned below, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

Effective September 11, 2019, the Organization entered into a line of credit agreement with a bank for \$250,000. As of November 5, 2019, the Organization did not have any borrowings against this line of credit.