



**FLATHEAD FOOD BANK, INC.**

AUDITED  
FINANCIAL STATEMENTS

December 31, 2017 and 2016

Final Draft

FLATHEAD FOOD BANK, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT-----	1 and 2
FINANCIAL STATEMENTS	
Statements of Financial Position-----	3
Statements of Activities-----	4 and 5
Statements of Functional Expenses-----	6 and 7
Statements of Cash Flows-----	8
Notes to the Financial Statements-----	9 to 15

Final Draft

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors of  
Flathead Food Bank, Inc.  
Kalispell, Montana

We have audited the accompanying financial statements of the Flathead Food Bank, Inc., a nonprofit organization, which comprise the statements of financial position as of December 31, 2017 and 2016 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.

### ***Auditor's 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 qualified audit opinion.

***Basis for Qualified Opinion***

We did not observe the taking of the physical inventories at December 31, 2017 (stated at \$312,639) as we were not informed of the physical count. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Flathead Food Bank, Inc. as of December 31, 2017 and 2016, 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 State of America.

Missoula, Montana

<< DATE >>

Final Draft

FINANCIAL STATEMENTS

Final Draft

FLATHEAD FOOD BANK, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 369,597	\$ 244,859
Inventory	<u>312,639</u>	<u>382,531</u>
TOTAL CURRENT ASSETS	682,236	627,390
PROPERTY AND EQUIPMENT, NET	<u>58,714</u>	<u>77,170</u>
TOTAL ASSETS	<u>\$ 740,950</u>	<u>\$ 704,560</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,664	\$ 16,798
Accrued liabilities	<u>9,570</u>	<u>11,928</u>
TOTAL CURRENT LIABILITIES	21,234	28,726
TOTAL LIABILITIES	<u>21,234</u>	<u>28,726</u>
NET ASSETS		
Unrestricted	717,377	675,834
Temporarily restricted	<u>2,339</u>	<u>-</u>
TOTAL NET ASSETS	<u>719,716</u>	<u>675,834</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 740,950</u>	<u>\$ 704,560</u>

The notes to the financial statements are an integral part of this statement.

FLATHEAD FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Donated food	\$ 3,048,793	\$ -	\$ 3,048,793
Contributions and grants	492,725	2,339	495,064
United Way contributions	9,500	-	9,500
Fundraising events	66,781	-	66,781
CSFP Program administration	36,367	-	36,367
Thrift store revenue	322,792	-	322,792
Dividends and interest	694	-	694
TOTAL REVENUE AND SUPPORT	<u>3,977,652</u>	<u>2,339</u>	<u>3,979,991</u>
Net assets released from restriction	-	-	-
	<u>3,977,652</u>	<u>2,339</u>	<u>3,979,991</u>
EXPENSES			
Program services	3,754,226	-	3,754,226
Management and general	56,880	-	56,880
Fundraising	125,003	-	125,003
TOTAL EXPENSES	<u>3,936,109</u>	<u>-</u>	<u>3,936,109</u>
CHANGE IN NET ASSETS	41,543	2,339	43,882
NET ASSETS			
Beginning of year	<u>675,834</u>	<u>-</u>	<u>675,834</u>
End of year	<u>\$ 717,377</u>	<u>\$ 2,339</u>	<u>\$ 719,716</u>

The notes to the financial statements are an integral part of this statement.

FLATHEAD FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Donated food	\$ 1,692,573	\$ -	\$ 1,692,573
Contributions and grants	437,811	-	437,811
United Way contributions	9,450	-	9,450
Fundraising events	54,471	-	54,471
CSFP Program administration	31,721	-	31,721
Thift store revenue	292,450	-	292,450
Gain on sale of investments	-	-	-
Dividends and interest	104	-	104
<b>TOTAL REVENUE AND SUPPORT</b>	<u>2,518,580</u>	<u>-</u>	<u>2,518,580</u>
Net assets released from restriction	<u>27,500</u>	<u>(27,500)</u>	<u>-</u>
	<u>2,546,080</u>	<u>(27,500)</u>	<u>2,518,580</u>
<b>EXPENSES</b>			
Program services	2,536,982	-	2,536,982
Management and general	66,676	-	66,676
Fundraising	64,886	-	64,886
<b>TOTAL EXPENSES</b>	<u>2,668,544</u>	<u>-</u>	<u>2,668,544</u>
<b>CHANGE IN NET ASSETS</b>	<u>(122,464)</u>	<u>(27,500)</u>	<u>(149,964)</u>
<b>NET ASSETS</b>			
Beginning of year	<u>798,298</u>	<u>27,500</u>	<u>825,798</u>
End of year	<u>\$ 675,834</u>	<u>\$ -</u>	<u>\$ 675,834</u>

The notes to the financial statements are an integral part of this statement.



FLATHEAD FOOD BANK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Donated food given away	\$ 3,230,252	\$ -	\$ -	\$ 3,230,252
Salaries and wages	113,237	36,812	50,017	200,066
Employee benefits	11,002	2,117	2,877	15,996
Payroll taxes	11,567	3,760	5,109	20,436
Insurance	2,788	310	-	3,098
Depreciation	18,947	2,105	-	21,052
Professional services	13,874	1,541	-	15,415
Building repair and maintenance	26,742	1,724	-	28,466
Equipment repair and maintenance	17,919	-	-	17,919
Utilities	19,785	779	-	20,564
Office and administration	15,240	3,903	-	19,143
Volunteer and public relations	568	13	-	581
Credit card and bank charges	4,733	121	-	4,854
CSFP program assistance	2,870	-	-	2,870
Advertising	2,278	695	5,523	8,496
Rent	27,000	3,000	-	30,000
Thrift store - payroll expenses	211,424	-	-	211,424
Thrift store - rent	24,000	-	-	24,000
Capital campaign expenses	-	-	61,477	61,477
	<u>\$ 3,754,226</u>	<u>\$ 56,880</u>	<u>\$ 125,003</u>	<u>\$ 3,936,109</u>
	95.4%	1.4%	3.2%	100.0%

The notes to the financial statements are an integral part of this statement.

FLATHEAD FOOD BANK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Donated food given away	\$ 1,972,694	\$ -	\$ -	\$ 1,972,694
Salaries and wages	143,553	43,693	16,498	203,744
Employee benefits	11,419	2,331	329	14,079
Payroll taxes	16,345	4,882	-	21,227
Insurance	2,871	319	-	3,190
Depreciation	17,983	1,998	-	19,981
Professional services	14,346	1,594	-	15,940
Building repair and maintenance	26,951	1,642	-	28,593
Equipment repair and maintenance	20,075	-	-	20,075
Utilities	14,967	586	-	15,553
Office and administration	15,590	4,183	-	19,773
Volunteer and public relations	378	-	-	378
Credit card and bank charges	4,292	140	-	4,432
CSFP program assistance	7,942	-	-	7,942
Advertising	3,059	2,308	435	5,802
Rent	27,000	3,000	-	30,000
Thrift store - payroll expenses	200,117	-	-	200,117
Thrift store - rent	37,400	-	-	37,400
Capital campaign expenses	-	-	47,624	47,624
	<u>\$ 2,536,982</u>	<u>\$ 66,676</u>	<u>\$ 64,886</u>	<u>\$ 2,668,544</u>
	95.1%	2.5%	2.4%	100.0%

The notes to the financial statements are an integral part of this statement.

FLATHEAD FOOD BANK, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 43,882	\$ (149,964)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	21,052	19,981
Changes in operating assets and liabilities		
Inventory	69,892	115,018
Accounts payable	(5,134)	(12,617)
Accrued liabilities	<u>(2,358)</u>	<u>(1,881)</u>
Total adjustments	<u>83,452</u>	<u>120,501</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 127,334</u>	<u>\$ (29,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>\$ (2,596)</u>	<u>\$ (9,799)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>\$ (2,596)</u>	<u>\$ (9,799)</u>
Net change in cash and cash equivalents	124,738	(39,262)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>244,859</u>	<u>284,121</u>
End of year	<u>\$ 369,597</u>	<u>\$ 244,859</u>

The notes to the financial statements are an integral part of this statement.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

**NOTE 1. ORGANIZATION**

The Flathead Food Bank, Inc. (Food Bank) is a nonprofit corporation organized for the purposes of operating a food collection and distribution system for low-income families and individuals in Flathead County. The Food Bank voluntarily participates in two programs that provide government commodities to seniors and children on a monthly basis. The main office and distribution center is located in Kalispell, Montana. The Food Bank also operates mobile pantries in Martin City, Hungry Horse, Coram, Kila, and Marion, Montana.

The Food Bank also operates a thrift store known as Second Helpings, which is located next to the main office in Kalispell, Montana. The mission of the thrift store is to support the operations of the Food Bank.

Contributions and donations, including donated food, comprise approximately 89% of the Food Bank's revenue while the thrift store operations comprise approximately 8% of total revenue.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Accounting

The Food Bank's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified by the Financial Accounting Standards Board.

B. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Food Bank considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

From time to time, certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may exceed their insured limits. At December 31, 2017, approximately \$7,900 was not fully insured by the FDIC. All accounts were fully insured by the FDIC at December 31, 2016. The Food Bank does not believe it is exposed to any significant credit risk on its cash balances.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2017 and 2016

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

C. Inventory

Food inventory is primarily acquired through donations and purchased when necessary. Inventory is decreased as it is distributed to individuals and families on a per-pound basis. The Food Bank reports inventory at the lower of cost (first-in, first-out basis) or market and values food at the weighted average per pound, \$1.73 in 2017 and 2016, as determined by Feeding America.

D. Property and Equipment

Property and equipment are stated at cost if purchased or at fair value on the date of donation. Assets costing \$2,500 or more and having a useful life more than one year are capitalized. Repairs and maintenance costs are expensed as incurred and improvements that extend the life or capacity of the asset are capitalized. Items are depreciated on a straight-line basis over the following estimated useful lives:

Building Improvements	7 - 15 years
Vehicles and Equipment	5 - 7 years

Depreciation expense totaled \$21,052 for the year ended December 31, 2017 and \$19,981 for the year ended December 31, 2016.

E. Compensated Absences

Employees are entitled to paid vacation depending on the length of service and other factors. Accrued vacation totaled \$6,151 and \$6,615 at December 31, 2017 and 2016, respectively.

F. Net Asset Classification

The Food Bank reports information regarding its financial position and activities according to three classes of net assets in accordance with GAAP: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted: Unrestricted net assets represent funds that are available to support the Food Bank's operations with no donor imposed or board of director designated restrictions.

Temporarily Restricted: Temporarily restricted net assets represent funds which are donor-restricted for specific purposes, uses, or use in a specific period. The Food Bank had temporarily restricted net assets of \$2,339 for the capital campaign at December 31, 2017. The Food Bank had no temporarily restricted net assets at December 31, 2016.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

F. Net Asset Classification, continued

Permanently Restricted: Permanently restricted net assets represent donor-restricted contributions that neither expire by the passage of time nor are fulfilled or otherwise removed by actions of the Food Bank. The Food Bank had permanently restricted net assets of \$-0- at December 31, 2017 and 2016.

Donor-restricted funds are classified as temporarily restricted until the donor restriction expires either by the time restriction ending or the purpose restriction being accomplished, at which time they are accounted for as net assets released from restriction and reclassified as unrestricted net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Public support and revenue are reported as increases in unrestricted net assets, unless use of the related asset is restricted by the donor, in the statements of activities. Expenses are reported as decreases in unrestricted net assets in the statements of activities. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless explicit donor stipulation or law restricts their use.

G. Public Support and Revenue

Contributions, including unconditional pledges, are recognized in the statements of activities in the period received. Conditional pledges are not recognized until the conditions on which they are dependent are substantially met. Contributions of assets other than cash are recorded at estimated fair value.

H. In-kind Contributions

The Food Bank seeks and receives a significant amount of contributed food inventory that is recorded in the accompanying financial statements as unrestricted support. Contributed items are recorded at a per-pound value using the weighted average price per pound determined by Feeding America.

In-kind donations of non-food goods are valued at their estimated fair value at the time of donation. The value of donated services is determined by the donors as the usual fees they would receive for such services in the normal course of their business.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

H. In-kind Contributions, continued

Donors of food items are provided receipts showing the number of pounds of their in-kind donations. Other donation receipts show the fair-value of the donation. Donated goods and services are recorded in the financial statements as unrestricted revenue and as either a corresponding expense or capitalized asset.

Contributed goods for resale in the thrift store are recognized at fair value according to their realized sales value on the date of sale. They are recorded at their ultimate sales price and reflected accordingly in the accompanying financial statements.

I. Donated Services

The Food Bank receives donated services that do not require specific expertise, but which are nonetheless central to the Food Bank's operations. Much of this time is to assist with processing inventory. The Food Bank received 16,685 hours of volunteer time in 2017 and 19,674 volunteer hours in 2016. The estimated value of volunteer services, based on the nature of the service and the amount of time donated, totaled \$133,482 and \$147,555 in 2017 and 2016, respectively. The value of these services is not reflected in the financial statements in accordance with GAAP.

J. Expense Allocations

Administrative expenses are allocated to program expenses according to the portion of costs benefiting the program.

K. Advertising

The Food Bank expenses the cost of advertising as incurred. Advertising expenses totaled \$8,496 and \$5,802 in 2017 and 2016, respectively.

L. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual amounts could differ from those estimates.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2017 and 2016

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

M. Income Tax Status

The Food Bank is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the increase in net assets is generally not subject to taxation. No provision for income taxes has been recorded in the financial statements as the Food Bank does not believe it had any unrelated business income in 2017 and 2016.

N. Risks and Uncertainty

The Food Bank is exposed to various risks of losses related to torts, damage or loss of assets, errors or omissions, injuries to employees, economic conditions, and changes in financial markets. The Food Bank mitigates its risk through various insurance policies.

O. Subsequent Events

Management has evaluated subsequent events through \_\_\_\_\_, 2018, the date which the financial statements were available for issue.

**NOTE 3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31, 2017 and 2016 was composed of the following:

	December 31, 2017	December 31, 2016
Cash on hand	\$ 300	\$ 300
Checking accounts - banks	307,250	173,050
Savings accounts - banks and credit unions	62,047	71,509
	<u>\$ 369,597</u>	<u>\$ 244,859</u>



FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2017 and 2016

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2017 and 2016 is as follows:

	December 31, 2015	Additions	December 31, 2016
Leasehold improvements	\$ 102,644	\$ -	\$ 102,644
Equipment	133,330	9,799	143,129
Vehicles	102,526	-	102,526
	338,500	9,799	348,299
Accumulated depreciation	(251,148)	(19,981)	(271,129)
Property and equipment, net	<u>\$ 87,352</u>	<u>\$ (10,182)</u>	<u>\$ 77,170</u>

  

	December 31, 2016	Additions	December 31, 2017
Building improvements	\$ 102,644	\$ -	\$ 102,644
Equipment	143,129	2,596	145,725
Vehicle	102,526	-	102,526
	348,299	2,596	350,895
Accumulated depreciation	(271,129)	(21,052)	(292,181)
Property and equipment, net	<u>\$ 77,170</u>	<u>\$ (18,456)</u>	<u>\$ 58,714</u>

**NOTE 5. LEASES**

The Kalispell pantry lease is a multi-year lease from January 1, 2010 through December 31, 2020 with lease payments of \$2,500 per month. The lease has an option to renew for a subsequent ten-year period with a cost of living rent adjustment that would be negotiated at renewal.

The Kalispell thrift store lease is a multi-year lease that commenced August 1, 2011 and ends July 31, 2019 with rent at \$4,200 per month. This lease was amended in July 2016 reducing rent to \$2,000 per month. The lease contains an option for a subsequent renewal period of ten years with a one-time cost of living rent increase that would be negotiated at renewal.

FLATHEAD FOOD BANK, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

**NOTE 5. LEASES, continued**

Rent expense totaled \$30,000 for the pantry and \$24,000 for the thrift store in 2017 and \$30,000 for the pantry and \$37,400 for the thrift store in 2016. Future minimum lease payments for the pantry and thrift store combined are expected to be:

<u>Years ending December 31,</u>	
2018	\$ 54,000
2019	44,000
2020	<u>30,000</u>
	<u>\$ 128,000</u>

**NOTE 6. CAPITAL CAMPAIGN**

The Food Bank is exploring options for purchasing their own building to house the pantry and the thrift store activities.

Capital campaign expenses reported on the Statement of Functional Expenses are comprised primarily of personnel expenses related to fundraising activities and monitoring donor contributions.

Support from contributions and donations are reported as temporarily restricted net assets on the Statement of Activities.