

BILLINGS FOOD BANK
Billings, Montana

FINANCIAL STATEMENTS
June 30, 2014 and 2013

MANGIS ACCOUNTING, PC
Certified Public Accountants
Billings, Montana

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MANGIS ACCOUNTING
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

Independent Auditor's Report

To the Board of Directors
Billings Food Bank
Billings, Montana

We have audited the accompanying financial statements of the Billings Food Bank of Billings, Montana, a non-profit corporation, which comprise the Statements of Financial Position as of June 30, 2014 and 2013, and the related Statements of Activities and Changes in Net Assets, Statements of Functional Expense and Statements of 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 audit. 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 audit 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Billings Food Bank as of June 30, 2014 and 2013, 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.


Mangis Accounting, PC

Billings, Montana
August 27, 2015

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF FINANCIAL POSITION
June 30

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 151,175	\$ 94,395
Investments	68,258	54,734
Inventories	4,612,962	4,442,599
Total Current Assets	4,832,395	4,591,728
 <u>Property and Equipment</u>		
Land	734,875	734,875
Building and improvements	4,803,944	4,803,944
Furniture and fixtures	55,704	55,704
Equipment	349,374	346,540
Total Property and Equipment	5,943,897	5,941,063
Less Accumulated Depreciation	(954,403)	(813,145)
Net Property and Equipment	4,989,494	5,127,918
 <u>Other Assets</u>		
Investments	651,952	540,950
Total Assets	\$ 10,473,841	\$ 10,260,596
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 8,569	\$ 10,245
Interest payable	2,753	3,567
Accrued expenses	63,597	60,556
Current maturities of long-term debt	62,699	60,114
Total Current Liabilities	137,618	134,482
 <u>Long-term Liabilities</u>		
Long-term debt - Less current maturities	871,890	935,219
Annuity Liability	34,222	-
Total Long-term Liabilities	906,112	935,219
Total Liabilities	1,043,730	1,069,701
 <u>Net Assets</u>		
Unrestricted	8,803,278	8,604,704
Permanently restricted - Endowment	626,833	531,457
Total Net Assets	9,430,111	9,136,161
Total Liabilities and Net Assets	\$ 10,473,841	\$ 10,205,862

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS
Years Ended June 30

<u>UNRESTRICTED NET ASSETS</u>	<u>2014</u>	<u>2013</u>
<u>Public Support</u>		
Contributions	\$ 630,750	\$ 586,229
Donated food and services	30,481,549	28,809,898
Culinary Center - Food income	48,545	28,680
Special events	142,061	168,578
Less: Direct benefit to donors	(28,189)	(26,675)
Total Public Support	<u>31,274,716</u>	<u>29,566,710</u>
 <u>Other Revenue</u>		
Investment return	57,899	21,625
Gain (loss) on sale of stock	(10,145)	(613)
Total Other Revenue	<u>47,754</u>	<u>21,012</u>
 Total Unrestricted Revenue	 <u>31,322,470</u>	 <u>29,587,722</u>
 <u>Expense</u>		
Program services	30,898,390	28,783,379
Support services	170,772	137,151
Fund raising	61,734	83,009
Total Unrestricted Expense	<u>31,130,896</u>	<u>29,003,539</u>
 Increase (Decrease) in Unrestricted Net Assets	 <u>191,574</u>	 <u>584,183</u>
 <u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Public support - Endowment	<u>102,376</u>	<u>20,500</u>
 Increase in Permanently Restricted Net Assets	 <u>102,376</u>	 <u>20,500</u>
 Change in Net Assets	 293,950	 604,683
 Net Assets - Beginning	 <u>9,136,161</u>	 <u>8,531,478</u>
 Net Assets - Ending	 <u>\$ 9,430,111</u>	 <u>\$ 9,136,161</u>

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF FUNCTIONAL EXPENSE

	Year Ended June 30, 2014				Year Ended June 30, 2013			
	Program Services	Support Services	Fund-Raising	Total 2014	Program Services	Support Services	Fund-Raising	Total 2013
Contract labor	\$ 6,655	\$ -	\$ -	\$ 6,655	\$ 9,739	\$ -	\$ -	\$ 9,739
Depreciation	120,071	14,126	7,061	141,258	119,941	14,111	7,055	141,107
Food	30,371,467	-	-	30,371,467	28,245,415	-	-	28,245,415
Investment fees	-	7,736	-	7,736	-	6,809	-	6,809
Insurance & benefits	17,403	2,047	1,024	20,474	16,393	1,929	964	19,286
Interest	18,784	20,871	2,087	41,742	37,870	4,455	2,228	44,553
Maintenance & repairs	31,959	3,760	1,880	37,599	10,998	1,294	647	12,939
Other expense	3,459	7,584	425	11,468	8,756	1,350	6,751	16,857
Occupancy	56,604	6,659	3,330	66,593	59,465	6,996	3,498	69,959
Officer's salary	25,702	51,403	8,567	85,672	34,278	42,847	8,569	85,694
Office supplies expense	1,592	5,573	796	7,961	2,674	5,349	891	8,914
Other assistance	-	-	-	-	17,785	-	-	17,785
Payroll taxes	21,526	6,690	873	29,089	28,230	8,895	1,547	38,672
Printing & postage	4,537	3,025	22,687	30,249	4,864	3,243	24,322	32,429
Professional fees	2,521	20,165	2,520	25,206	6,236	20,269	4,677	31,182
Salaries	179,858	16,404	2,343	198,605	141,626	15,686	6,723	164,035
Storage expense	8,424	-	-	8,424	8,424	-	-	8,424
Supplies	9,505	1,056	6,983	17,544	10,475	1,164	13,761	25,400
Taxes and licenses	2,711	319	160	3,190	2,236	639	319	3,194
Telephone	4,412	2,036	339	6,787	5,915	696	348	6,959
Vehicle expense	11,200	1,318	659	13,177	12,059	1,419	709	14,187
Total Functional Expenses	\$ 30,898,390	\$ 170,772	\$ 61,734	\$ 31,130,896	\$ 28,783,379	\$ 137,151	\$ 83,009	\$ 29,003,539

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF CASH FLOWS
Years Ended June 30

<u>OPERATING ACTIVITIES</u>	<u>2014</u>	<u>2013</u>
Increase (Decrease) in net assets	\$ 293,950	\$ 604,683
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	141,258	141,107
Inventory - (increase)	(170,363)	(665,254)
Accounts payable - increase (decrease)	(1,676)	(10,614)
Interest payable - (decrease)	(814)	(205)
Accrued expenses - increase (decrease)	(3,041)	(968)
Contribution of marketable securities - (increase)	(124,050)	(13,959)
Realized and unrealized gains and losses on investments - increase (decrease)	(31,135)	2,015
Annuity liability - increase	34,222	-
Net Cash Provided by Operating Activities	<u>138,351</u>	<u>56,805</u>
<u>INVESTING ACTIVITIES</u>		
Fixtures & equipment - (purchase)	(2,834)	(11,983)
Improvements	-	(5,301)
Investment sales proceeds	124,362	202,406
Investment purchase	(140,537)	(225,036)
Investment transfer	(1,818)	(2,167)
Net Cash (Used) by Investing Activities	<u>(20,827)</u>	<u>(42,081)</u>
<u>FINANCING ACTIVITIES</u>		
Note payable - principal payments	(60,744)	(58,174)
Net Cash (Used) by Financing Activities	<u>(60,744)</u>	<u>(58,174)</u>
Cash and Cash Equivalents (Decrease) For Year	56,780	(43,450)
Cash and Cash Equivalents Balance - Beginning	<u>94,395</u>	<u>137,845</u>
Cash and Cash Equivalents Balance - Ending	<u>\$ 151,175</u>	<u>\$ 94,395</u>
Supplemental Disclosures:		
Interest paid	\$ 42,556	\$ 44,348
Income taxes paid	\$ -	\$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1 ORGANIZATION

The Billings Food Bank (the Organization) is a non-profit organization established to collect, purchase, warehouse, and distribute food and other essentials both directly and through social agencies which primarily feed the needy. The Organization also operates the Fortin Culinary Center to provide training for entry level jobs in commercial kitchens. The training is directed to unemployed or underemployed individuals in the Billings area. The Fortin kitchen is available for use by people starting or growing a food business. Nutrition education and classes are also provided.

2 SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with professional standards and are stated on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred rather than when the obligation is paid. The significant accounting policies described below are to enhance the usefulness of the financial statements to the reader.

- a Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- b Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- c Cash and Cash Equivalents - For purposes of the Statements of Cash Flows the Organization considers all cash and investments that mature within 90 days to be the same as cash. The Food Bank periodically has cash balances at financial institutions that exceed the federally insured limit.
- d Donated Food - Food contributions received by the Organization are capitalized as food inventory and recorded as unrestricted revenue. Upon distribution, food inventory is recorded as a decrease in unrestricted net assets and is charged to expense as food donation. These transactions are recorded, based on the pounds of food received or distributed, using an industry standard value per unit of \$1.85 per unit in 2014 and 2013.
- e Investments -The Organization has adopted standards for investment recognition whereby investments in marketable securities with readily determinable fair values are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.
(continued)

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

- e Investments (continued) -The Organization's endowment includes donor restricted funds. The net assets associated with endowment funds are classified and reported based on existence or absence of donor imposed restrictions. The endowment adheres to the Uniform Prudent Management of Institutional Funds Act of 2006. The new law eliminates the historical dollar threshold and establishes prudent spending guidelines that consider both duration and preservation of the fund. As a result of this enactment, subject to the donor's intent as expressed in a gift agreement or similar document, the endowment may now spend the amount of the principal and income of an endowment fund, even from an underwater fund, after considering the factors listed in the Act.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk. The investment objectives for the endowment assets are:

1. To generate a level of current income sufficient to meet withdrawal needs. Any shortfall in current income required to meet spending needs may be made from net capital appreciation.
2. To grow the asset value of the endowment, exclusive of contributions or withdrawals, in the long term exceeding the rate of inflation and earn a rate of return in excess of the endowment's annual distribution rate through a combination of investment income and capital appreciation.
3. To diversify the endowment's assets in order to reduce the risk of wide swings in market value from year to year or the risk of incurring large losses.
4. To achieve investment results over the long term that compare favorably with those of other professional fund managers and of appropriate market indexes.

It is expected that these objectives can be obtained through a well-diversified portfolio structure in a manner consistent with this investment policy.

The ASC establishes a framework for measuring fair value and expands disclosures required for fair value measurements. It also establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels. These levels, in order of lowest to highest priority are described as follows:

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 for identical or similar assets or liabilities in inactive markets; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the organization's own assumptions.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

- e Investments(continued) - The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.
- f Property and Equipment - The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date received. Depreciation of the building and improvements and equipment is computed using the straight-line method over the following estimated useful lives:
- | | | |
|---------------------------|--------|-------|
| Building and improvements | 5-39.5 | years |
| Equipment | 5-10 | years |
| Furniture and fixtures | 5-10 | years |
- g Charitable Gift Annuities - Under charitable gift annuity contracts, we receive immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.
- h Income Taxes - The Organization is a non-profit organization exempt from income taxation under IRS Code section 501(c)(3). The Internal Revenue Service Form 990, Return of Organizations Exempt from income tax, for the years ending 2010, 2011 and 2013 are open years for examination by the IRS, generally three years after they were filed.
- i Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- j Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

- k Donated Services and Equipment -The Organization receives donated services from a variety of unpaid volunteers assisting in the operations. The value of these services has not been recognized in the financial statements since it does not meet the criteria for recognition.

The Organization recognizes contributed services if the services received create or enhance long lived assets or require specialized skills, which are provided by individuals possessing those skills, and would typically need to be paid for if not donated.

- l Prior Year Amounts - Certain amounts from the prior year have been reclassified to be more comparable with the current year presentation.

3. FOOD INVENTORY

The following summarizes food inventory transactions:

	<u>Units</u>	<u>Dollars</u>
Beginning - July 1, 2013	2,401,405	\$ 4,442,599
Food contributions	16,475,000	30,478,750
Food distributions *	<u>(16,382,913)</u>	<u>(30,308,388)</u>
Ending - June 30, 2014	<u>2,493,492</u>	<u>\$ 4,612,961</u>

Food inventory is recorded at \$1.85 per unit as of June 30, 2014 and 2013, based on an industry standard value per unit of food.

*This does not include food distributed that was purchased for cash.

4. INVESTMENTS

Investments are valued using level 1 inputs and stated at fair value.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money Market	\$ 49,412	\$ 49,412	\$ -
Mutual Funds	<u>632,663</u>	<u>670,798</u>	<u>38,135</u>
Total at June 30, 2014	<u>\$ 682,075</u>	<u>\$ 720,210</u>	<u>\$ 38,135</u>

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation)</u>
Money Market	\$ 21,989	\$ 21,989	\$ -
Mutual Funds	<u>511,961</u>	<u>518,961</u>	<u>7,000</u>
Total at June 30, 2013	<u>\$ 533,950</u>	<u>\$ 540,950</u>	<u>\$ 7,000</u>

Investment return is summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 16,619	\$ 23,027
Realized gains (losses)	(10,145)	(613)
Unrealized gains (losses)	<u>41,280</u>	<u>(1,402)</u>
Total unrestricted investment gains	<u>\$ 47,754</u>	<u>\$ 21,012</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

5 NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Mortgage Payable - bank in the amount of \$1,130,104 dated December 2010, to be paid in 59 payments of \$8,578, including interest at 4.3%. The balance of the note due January 2016, at which time will be refinanced.	\$ <u>934,589</u>	\$ <u>995,333</u>
Total Notes Payable	934,589	995,333
less Current maturities portion -	(62,699)	(60,114)
Long-term Debt - less current maturities	<u>\$ 871,890</u>	<u>\$ 935,219</u>

The building is pledged as collateral for the note.

Debt maturities at June 30, 2014 were:

2015	\$ 62,699
2016	<u>871,890</u>
Total	<u>\$ 934,589</u>

6 RESTRICTED NET ASSETS

Permanently restricted net assets of \$626,833 are to be held in perpetuity. The earnings can be used towards operating expenses of the Organization.

7 EVALUATION OF SUBSEQUENT EVENTS

The organization has evaluated subsequent events through August 27, 2015, the date which the financial statements were available to be issued.