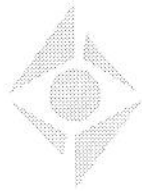


BILLINGS FOOD BANK
Billings, Montana

FINANCIAL STATEMENTS
June 30, 2016 and 2015

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, 2016 and 2015, 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

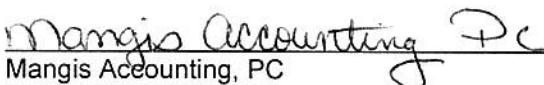
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2016 and 2015, 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
May 9, 2017

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF FINANCIAL POSITION
June 30

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 32,410	\$ 172,468
Note receivable - employee	-	5,318
Investments	69,607	69,814
Inventories	3,553,482	3,749,661
Total Current Assets	3,655,499	3,997,261
 <u>Property and Equipment</u>		
Land	684,875	734,875
Building and improvements	4,496,715	4,803,944
Furniture and fixtures	31,613	31,613
Equipment	323,426	284,053
Total Property and Equipment	5,536,629	5,854,485
Less Accumulated Depreciation	(1,038,440)	(987,879)
Net Property and Equipment	4,498,189	4,866,606
 <u>Other Assets</u>		
Endowment investments	523,290	706,990
Building investment	263,882	-
Total Other Assets	787,172	706,990
Total Assets	\$ 8,940,860	\$ 9,570,857
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 34,814	\$ 4,545
Interest payable	1,388	2,053
Accrued expenses	65,639	68,619
Annuity Liability	8,000	8,000
Current maturities of long-term debt	54,016	65,484
Total Current Liabilities	163,857	148,701
 <u>Long-term Liabilities</u>		
Annuity Liability	34,655	44,672
Long-term debt - Less current maturities	563,757	805,660
Total Long-term Liabilities	598,412	850,332
Total Liabilities	762,269	999,033
 <u>Net Assets</u>		
Unrestricted	7,483,822	7,894,112
Permanently restricted - Endowment	694,769	677,712
Total Net Assets	8,178,591	8,571,824
Total Liabilities and Net Assets	\$ 8,940,860	\$ 9,570,857

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>2016</u>	<u>2015</u>
<u>Public Support</u>		
Cash contributions	\$ 550,359	\$ 606,850
Noncash contributions	31,646,376	33,318,798
Culinary Center - Food income	45,197	63,735
Special events	138,904	167,823
Less: Direct benefit to donors	(41,790)	(29,392)
Total Public Support	<u>32,339,046</u>	<u>34,127,814</u>
 <u>Other Revenue</u>		
Net investment return (loss)	16,766	(1,354)
Change in value of split-interest agreements	2,017	-
Loss on equipment disposal	-	(8,403)
Insurance proceeds	-	64,355
Total Other Revenue	<u>18,783</u>	<u>54,598</u>
 Total Unrestricted Revenue	 <u>32,357,829</u>	 <u>34,182,412</u>
 <u>Expense</u>		
Program services	32,527,437	34,836,223
Support services	175,130	174,488
Fund raising	65,552	80,867
Total Unrestricted Expense	<u>32,768,119</u>	<u>35,091,578</u>
 Increase (Decrease) in Unrestricted Net Assets	 <u>(410,290)</u>	 <u>(909,166)</u>
 <u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Public support - Endowment	<u>17,057</u>	<u>50,879</u>
 Increase in Permanently Restricted Net Assets	 <u>17,057</u>	 <u>50,879</u>
 Change in Net Assets	 <u>(393,233)</u>	 <u>(858,287)</u>
 Net Assets - Beginning	 <u>8,571,824</u>	 <u>9,430,111</u>
 Net Assets - Ending	 <u>\$ 8,178,591</u>	 <u>\$ 8,571,824</u>

See accompanying notes to financial statements

BILLINGS FOOD BANK
Billings, Montana

STATEMENTS OF FUNCTIONAL EXPENSE

	Year Ended June 30, 2016			Year Ended June 30, 2015				
	Program Services	Support Services	Fund-Raising	Total	Program Services	Support Services	Fund-Raising	Total
Contract labor	\$ 6,792	\$ -	\$ -	\$ 6,792	\$ 1,703	\$ -	\$ -	\$ 1,703
Depreciation	122,322	14,391	7,195	143,908	119,250	14,030	7,015	140,295
Food	31,946,599	-	-	31,946,599	34,262,695	-	-	34,262,695
Investment fees	-	9,266	-	9,266	-	9,072	-	9,072
Insurance & benefits	17,154	3,051	318	20,523	17,921	2,108	1,054	21,083
Interest	30,813	3,424	-	34,237	17,455	19,395	1,939	38,789
Maintenance & repairs	38,320	2,771	-	41,091	35,426	3,936	-	39,362
Other expense	9,674	3,330	-	13,004	7,462	5,637	2,108	15,207
Occupancy	62,307	9,529	1,466	73,302	65,412	7,696	3,848	76,956
Officer's salary	18,961	66,362	9,480	94,803	18,842	65,948	9,421	94,211
Office supplies expense	2,573	9,651	643	12,867	1,849	6,471	924	9,244
Payroll taxes	20,218	6,458	1,404	28,080	25,792	7,127	1,018	33,937
Printing & postage	4,491	5,970	15,120	25,581	5,388	3,592	26,943	35,923
Professional fees	-	33,191	-	33,191	2,750	22,002	2,750	27,502
Promotional	22,654	-	9,430	32,084	9,009	-	11,508	20,517
Salaries	198,474	5,684	2,842	207,000	225,158	2,597	2,597	230,352
Supplies	6,355	706	17,374	24,435	166	1,019	8,490	9,675
Taxes and licenses	2,869	506	-	3,375	2,795	329	164	3,288
Telephone	4,482	840	280	5,602	4,400	2,030	338	6,768
Vehicle expense	12,379	-	-	12,379	12,750	1,499	750	14,999
Total Functional Expenses	\$ 32,527,437	\$ 175,130	\$ 65,552	\$ 32,768,119	\$ 34,836,223	\$ 174,488	\$ 80,867	\$ 35,091,578

See accompanying notes to financial statements

BILLINGS FOOD BANK

Billings, Montana

STATEMENTS OF CASH FLOWS

Years Ended June 30

<u>OPERATING ACTIVITIES</u>	<u>2016</u>	<u>2015</u>
Increase (Decrease) in net assets	\$ (393,233)	\$ (858,287)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	143,908	140,295
Note receivable - employee - (increase) decrease	5,318	(5,318)
Inventory - decrease	196,179	863,301
Accounts payable - increase (decrease)	30,269	(4,024)
Interest payable - (decrease)	(665)	(700)
Accrued expenses - increase (decrease)	(2,980)	5,022
Contributions restricted to endowment - (increase)	(17,057)	(50,879)
Endowment net investment (return) loss	(16,766)	1,354
Annuity liability - increase (decrease)	(10,017)	18,450
Donated equipment	(2,700)	(21,110)
Loss on equipment disposal	-	8,403
Net Cash Provided (Used) by Operating Activities	<u>(67,744)</u>	<u>96,507</u>
<u>INVESTING ACTIVITIES</u>		
Fixtures & equipment - (purchase)	(36,673)	(4,700)
Transfer from (to) investments	<u>217,730</u>	<u>(7,069)</u>
Net Cash (Used) by Investing Activities	<u>181,057</u>	<u>(11,769)</u>
<u>FINANCING ACTIVITIES</u>		
Note payable - principal payments	<u>(253,371)</u>	<u>(63,445)</u>
Net Cash (Used) by Financing Activities	<u>(253,371)</u>	<u>(63,445)</u>
Cash and Cash Equivalents Increase (Decrease) - For Year	(140,058)	21,293
Cash and Cash Equivalents Balance - Beginning	<u>172,468</u>	<u>151,175</u>
Cash and Cash Equivalents Balance - Ending	<u>\$ 32,410</u>	<u>\$ 172,468</u>
Supplemental Disclosures:		
Interest paid	\$ 34,892	\$ 39,489
Income taxes paid	\$ -	\$ -

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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 may periodically have 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 2016 and 2015.
- 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, 2016 and 2015

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, 2016 and 2015

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 a restricted 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 2013, 2014 and 2015 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, 2016 and 2015

- 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, 2015	2,026,844	\$ 3,749,661
Food contributions	17,100,682	31,636,262
Food distributions *	<u>(17,206,725)</u>	<u>(31,832,441)</u>
Ending – June 30, 2016	<u>1,920,801</u>	<u>\$ 3,553,482</u>

Food inventory is recorded at \$1.85 per unit as of June 30, 2016 and 2015, 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	\$ 19,629	\$ 19,629	\$ -
Mutual Funds	<u>535,502</u>	<u>573,267</u>	<u>37,765</u>
Total at June 30, 2016	<u>\$ 555,131</u>	<u>\$ 592,896</u>	<u>\$ 37,765</u>

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money Market	\$ 20,031	\$ 20,031	\$ -
Mutual Funds	<u>743,412</u>	<u>756,773</u>	<u>13,361</u>
Total at June 30, 2015	<u>\$ 763,443</u>	<u>\$ 776,804</u>	<u>\$ 13,361</u>

Investment return is summarized as follows:

	<u>2016</u>	<u>2015</u>
<u>Operating investments</u>		
Interest and dividend income	\$ 2,510	\$ 4,011
Net realized gains	-	-
Net unrealized (losses)	<u>(2,184)</u>	<u>(510)</u>
	<u>326</u>	<u>3,501</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

4 INVESTMENTS (continued)

Endowment investments

Interest and dividend income	20,652	19,468
Net realized gains (losses)	(30,763)	10,370
Net unrealized gain (loss)	<u>26,551</u>	<u>(34,693)</u>
	<u>16,440</u>	<u>(4,855)</u>
 Total unrestricted investment gains (losses)	 \$ <u>16,766</u>	 \$ <u>(1,354)</u>

5 NOTES PAYABLE

Notes Payable consist of the following at June 30:

	<u>2016</u>	<u>2015</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 note was refinanced in 2016.	\$ -	\$ 871,144
 Mortgage payable – Bank in the amount of \$630,369 dated March 2016, to be paid in 58 payments of \$6,550, including interest at 4.1%. The balance of the note is due in 2021, at which time the note will be refinanced.	 <u>617,773</u>	 <u>-</u>
Total Notes Payable	617,773	871,144
Less Current maturities portion -	<u>(54,016)</u>	<u>(65,484)</u>
Long-term Debt – less current maturities	\$ <u>563,757</u>	\$ <u>805,660</u>

The building is pledged as collateral for the note.

Debt maturities at June 30, 2016 were:

2017	\$	54,016	2020		62,927
2018		56,305	2021		<u>385,835</u>
2019		58,690	Total		\$ <u>617,773</u>

6 RESTRICTED NET ASSETS

Permanently restricted net assets of \$694,769 are to be held in perpetuity. The earnings can be used towards operating expenses of the Organization. In April 2016, the Organization transferred monies from the endowment to apply towards the building loan in amount of \$200,000. The Organization will replace the funds when other assets held for investment are sold.

7 EVALUATION OF SUBSEQUENT EVENTS

The organization has evaluated subsequent events through May 9, 2017, the date which the financial statements were available to be issued.