

KENTUCKY ASSOCIATION OF FOOD BANKS, INC.

REVIEWED FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

ENDERLE BESTEN DIERUF, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Finance Committee
Kentucky Association of Food Banks, Inc.
Berea, Kentucky

We have reviewed the accompanying financial statements of Kentucky Association of Food Banks, Inc. (a nonprofit Organization), which comprise the statements of assets, liabilities, and net assets – cash basis of as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and other changes in net assets – cash basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the cash basis of accounting.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Supplementary Information

The supplementary information included on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with the cash basis of accounting. We have not audited the information and, accordingly, do not express an opinion on such information.

Enderle Beaten Dieuf

September 15, 2016

KENTUCKY ASSOCIATION OF FOOD BANKS, INC.
 STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS
 JUNE 30,

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ <u>279,795</u>	\$ <u>228,001</u>
TOTAL ASSETS	\$ <u>279,795</u>	\$ <u>228,001</u>
LIABILITIES AND NET ASSETS		
Unrestricted net assets	\$ 175,539	\$ 95,204
Temporarily restricted net assets	<u>104,256</u>	<u>132,797</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>279,795</u>	\$ <u>228,001</u>

See independent accountants' review report and notes to financial statements.

KENTUCKY ASSOCIATION OF FOOD BANKS, INC.
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS - CASH BASIS
YEAR ENDED JUNE 30, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
State grant	\$ 650,256	\$ -	\$ 650,256
Membership dues	50,052	-	50,052
Corporate foundation grant	52,955	84,276	137,231
Private foundation grant	49,797	2,703	52,500
Donations	9,059	-	9,059
Other income	5,040	-	5,040
Interest	360	-	360
Satisfaction of program restrictions	115,520	(115,520)	-
TOTAL REVENUES	<u>933,039</u>	<u>(28,541)</u>	<u>904,498</u>
EXPENSES			
Program Services	823,699	-	823,699
Supporting Services:			
General and administrative	9,698	-	9,698
Fundraising	19,307	-	19,307
TOTAL EXPENSES	<u>852,704</u>	<u>-</u>	<u>852,704</u>
CHANGES IN NET ASSETS	80,335	(28,541)	51,794
NET ASSETS, BEGINNING OF YEAR	<u>95,204</u>	<u>132,797</u>	<u>228,001</u>
NET ASSETS, END OF YEAR	<u>\$ 175,539</u>	<u>\$ 104,256</u>	<u>\$ 279,795</u>

See independent accountants' review report and notes to financial statements.

KENTUCKY ASSOCIATION OF FOOD BANKS, INC.
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS - CASH BASIS
YEAR ENDED JUNE 30, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
State grant	\$ 608,646	\$ 32,797	\$ 641,443
Membership dues	50,052	-	50,052
Corporate foundation grant	4,480	40,000	44,480
Private foundation grant	42,510	60,000	102,510
Donations	2,721	-	2,721
Other income	697	-	697
Interest	182	-	182
Satisfaction of program restrictions	30,000	(30,000)	-
TOTAL REVENUES	<u>739,288</u>	<u>102,797</u>	<u>842,085</u>
EXPENSES			
Program Services	675,178	-	675,178
Supporting Services:			
General and administrative	5,122	-	5,122
Fundraising	19,906	-	19,906
TOTAL EXPENSES	<u>700,206</u>	<u>-</u>	<u>700,206</u>
CHANGES IN NET ASSETS	39,082	102,797	141,879
NET ASSETS, BEGINNING OF YEAR	<u>56,122</u>	<u>30,000</u>	<u>86,122</u>
NET ASSETS, END OF YEAR	<u>\$ 95,204</u>	<u>\$ 132,797</u>	<u>\$ 228,001</u>

See independent accountants' review report and notes to financial statements.

KENTUCKY ASSOCIATION OF FOOD BANKS, INC
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Kentucky Association of Food Banks, Inc. (the Organization), founded in 2001, is a non-profit organization dedicated to providing food and quality services to increase the capacity of Kentucky's Feeding America food banks to end hunger. The Organization derives revenue from grants and membership dues to serve all 120 counties in Kentucky and is located in Berea, Kentucky.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's policy is to prepare its financial statements on the cash basis of accounting. Consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Noncash transactions are not recognized in the financial statements.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - used for the general activities of the Organization.

Temporarily Restricted Net Assets - used to record funds restricted for the specific purposes designated by the donors.

Permanently Restricted Net Assets - used only for totally restricted endowment funds. There are no funds designated as permanently restricted as of June 30, 2016 and 2015.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses, and other changes in net assets – cash basis as net assets released from restrictions. If donor-restricted contributions meet restrictions during the same reporting period they are reported as unrestricted support in the statement of revenues, expenses, and other changes in net assets – cash basis.

Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ended 2016, 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed. The Organization has no uncertain tax positions that qualify for disclosure in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of three months or less.

KENTUCKY ASSOCIATION OF FOOD BANKS, INC
NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Concentration of Income Sources

The Organization depends on member dues and grants for a significant portion of its revenue. This funding is subject to change each year based on grant funding. The Organization's operations are conducted mainly inside the state of Kentucky. Management believes it is unlikely that these concentrations make them vulnerable to risk in the near term.

Date of Management's Review

The Organization's subsequent events have been evaluated through September 15, 2016 which is the date the financial statements were available to be issued.

NOTE C – RELATED PARTIES

The Organization partners with seven Feeding America food banks that pay member dues to the Organization based on their size. Membership dues are also based on the amount of grant funding the Organization receives such that, as the Organization is able to receive more grant funding, membership dues decrease. The Organization received \$50,052 in membership dues during each of the fiscal years ended June 30, 2016 and 2015, respectively.

NOTE D – RETIREMENT PLAN

The Organization contributes 5% of salary into a SEP-IRA account through Mutual of America for all eligible employees. Total retirement plan expense for the year ended June 30, 2016, and 2015 was \$4,268 and \$3,452, respectively.

NOTE E – LEASE

The Organization entered into a one year lease agreement for office space commencing on October 1, 2015 with monthly payments of \$300. If not renewed, the lease will continue on a month-to-month basis. Total rent expense for the year ended June 30, 2016 was \$2,885.

NOTE F – JOINT COSTS

Expenses have been allocated to their functional categories using specific identification for items that clearly apply to a functional category. Expenses relating to multiple functional categories are allocated based on the percentage of time spent on the activity. The total percentages of expenses in each functional category for the years ended June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Program expenses	97%	96%
Administrative expenses	1%	1%
Fundraising expenses	2%	3%
	100%	100%

SUPPLEMENTAL INFORMATION

KENTUCKY ASSOCIATION OF FOOD BANKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS
YEAR ENDED JUNE 30, 2016

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES				
Food purchases	\$ 632,465	\$ -	\$ -	\$ 632,465
Salary	89,896	1,972	3,943	95,811
Payroll taxes	6,817	150	299	7,266
Hunter's for Hungry fees	37,275	-	-	37,275
Consulting, audit and outside services	4,340	3,662	13,007	21,009
Employee benefits	14,592	320	640	15,552
Conferences and travel	9,958	-	-	9,958
Memberships and other fees	9,662	319	637	10,618
Other office expenses	1,403	30	61	1,494
Events and meeting supplies	2,354	-	-	2,354
Telephone and internet	2,572	85	170	2,827
Printing	3,312	109	218	3,639
Rent	-	2,885	-	2,885
Benefit proceeds	4,023	-	-	4,023
Office supplies	1,920	63	127	2,110
Insurance	2,189	72	144	2,405
Website and software	784	26	52	862
Miscellaneous	137	5	9	151
TOTALS	<u>\$ 823,699</u>	<u>\$ 9,698</u>	<u>\$ 19,307</u>	<u>\$ 852,704</u>

See independent accountants' review report and notes to financial statements.