

KENTUCKY ASSOCIATION OF FOOD BANKS, INC.

REVIEWED FINANCIAL STATEMENTS

JUNE 30, 2017 and 2016

*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, 2017 and 2016, 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 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the representation of management and was derived from, and related directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

*Enderle Beaton Diruf*

October 30, 2017

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

ASSETS	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ <u>327,770</u>	\$ <u>279,795</u>
TOTAL ASSETS	\$ <u>327,770</u>	\$ <u>279,795</u>
LIABILITIES AND NET ASSETS		
Unrestricted net assets	\$ 231,250	\$ 175,539
Temporarily restricted net assets	<u>96,520</u>	<u>104,256</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>327,770</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, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
State grant	\$ 628,524	\$ -	\$ 628,524
Membership dues	50,052	-	50,052
Corporate foundation grant	93,881	48,429	142,310
Private foundation grant	159,136	30,864	190,000
Donations	64,205	45	64,250
Other income	7,864	-	7,864
Interest	351	-	351
Satisfaction of program restrictions	87,074	(87,074)	-
TOTAL REVENUES	1,091,087	(7,736)	1,083,351
EXPENSES			
Program Services	911,240	-	911,240
Supporting Services:			
General and administrative	14,862	-	14,862
Fundraising	12,364	-	12,364
Assistance to members	96,910	-	96,910
TOTAL EXPENSES	1,035,376	-	1,035,376
CHANGES IN NET ASSETS	55,711	(7,736)	47,975
NET ASSETS, BEGINNING OF YEAR	175,539	104,256	279,795
NET ASSETS, END OF YEAR	\$ 231,250	\$ 96,520	\$ 327,770

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>	TEMPORARILY <u>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  
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, 2017 and 2016.

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 2017, 2016, 2015, and 2014 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 October 30, 2017 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. Membership dues are based on a \$2,500 base amount plus the Feeding America goal factor (poverty and unemployment rates) for counties served in Kentucky. The Organization received \$50,052 in membership dues during each of the fiscal years ended June 30, 2017 and 2016, 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, 2017, and 2016 was \$7,084 and \$4,268, 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. The lease continued on a month-to-month basis through May 2017.

On June 1, 2017 the Organization signed a separate three year lease agreement for office space calling for monthly payments of \$750 ending May 31, 2020. Total rent expense for the years ended June 30, 2017 and 2016 were \$5,112 and \$2,885, respectively. Total future payments under this lease will be \$9,000 in fiscal year 2018, \$9,000 in fiscal year 2019, and \$8,250 in fiscal year 2020.

NOTE F – CONCENTRATION OF CREDIT RISK

The Organization has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of amounts insured by the FDIC. The Organization has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to the accounts.

Although the Organization is directly affected by economic conditions in the geographic area, management does not believe significant credit risk exists as of June 30, 2017.

KENTUCKY ASSOCIATION OF FOOD BANKS, INC  
NOTES TO FINANCIAL STATEMENTS

NOTE G – 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Program expenses	97%	97%
Administrative expenses	2%	1%
Fundraising expenses	1%	2%
	<u>100%</u>	<u>100%</u>

SUPPLEMENTAL INFORMATION

KENTUCKY ASSOCIATION OF FOOD BANKS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS  
YEAR ENDED JUNE 30, 2017

	<u>PROGRAM</u>	<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
<b>EXPENSES</b>				
Food purchases	\$ 703,261	\$ -	\$ -	\$ 703,261
Salary	139,250	2,308	8,260	149,818
Payroll taxes	10,707	235	470	11,412
Consulting, audit and outside services	1,600	4,222	1,300	7,122
Employee benefits	13,907	305	610	14,822
Conferences and travel	14,665	-	-	14,665
Memberships and other fees	12,402	409	818	13,629
Other office expenses	852	23	47	922
Events and meeting supplies	1,563	-	-	1,563
Telephone and internet	3,264	108	215	3,587
Printing	4,755	157	314	5,226
Rent	-	5,112	-	5,112
Office supplies	1,566	52	103	1,721
Insurance	1,866	62	123	2,051
Website and software	1,582	52	104	1,738
Professional development	-	1,565	-	1,565
Miscellaneous	-	252	-	252
<b>TOTALS</b>	<u>\$ 911,240</u>	<u>\$ 14,862</u>	<u>\$ 12,364</u>	<u>\$ 938,466</u>

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