

ALL FAITHS FOOD BANK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
All Faiths Food Bank, Inc.
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of All Faiths Food Bank, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 audit 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 All Faiths Food Bank, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Christopher Smith, Leonard
Bristow & Stanell, PA*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL P.A.

April 25, 2016
Sarasota, Florida

ALL FAITHS FOOD BANK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Totals
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,935,848	\$ 1,208,026	\$ 3,143,874
Accounts receivable	25,886	-	25,886
Grants and contracts receivable	80,103	-	80,103
Pledges receivable - current	-	56,885	56,885
Inventory	84,052	688,564	772,616
Prepaid expenses and deposits	87,017	-	87,017
Total Current Assets	<u>2,212,906</u>	<u>1,953,475</u>	<u>4,166,381</u>
Property and Equipment			
Land	1,127,206	-	1,127,206
Building and improvements	2,655,229	-	2,655,229
Construction in progress	999	-	999
Warehouse equipment	525,943	-	525,943
Office equipment	116,589	-	116,589
Vehicles	1,055,141	-	1,055,141
Less: Accumulated depreciation	(1,203,083)	-	(1,203,083)
Total Property and Equipment, net	<u>4,278,024</u>	<u>-</u>	<u>4,278,024</u>
Other Noncurrent Assets			
Beneficial Interest in All Faiths Food Bank Foundation, Inc.	-	2,213,240	2,213,240
Total Other Noncurrent Assets	<u>-</u>	<u>2,213,240</u>	<u>2,213,240</u>
Total Assets	<u>\$ 6,490,930</u>	<u>\$ 4,166,715</u>	<u>\$ 10,657,645</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$ 29,138	\$ -	\$ 29,138
Accrued liabilities	154,505	-	154,505
Total Current Liabilities	<u>183,643</u>	<u>-</u>	<u>183,643</u>
Net Assets			
Unrestricted			
Operating	1,910,763	-	1,910,763
Board designated	118,500	-	118,500
Property and equipment	4,278,024	-	4,278,024
Temporarily restricted	-	4,166,715	4,166,715
Total Net Assets	<u>6,307,287</u>	<u>4,166,715</u>	<u>10,474,002</u>
Total Liabilities and Net Assets	<u>\$ 6,490,930</u>	<u>\$ 4,166,715</u>	<u>\$ 10,657,645</u>

The accompanying notes are an integral part of these financial statements.

ALL FAITHS FOOD BANK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT			
Revenue			
Maintenance fee and food cost recovery	\$ 327,040	\$ -	\$ 327,040
Miscellaneous income	4,512	-	4,512
Interest income	2,598	-	2,598
Total Revenues	334,150	-	334,150
Support			
Contributions- general	2,302,643	1,052,239	3,354,882
Contributions - Foundation and trust	114,622	-	114,622
Contributions - capital campaign	-	493,525	493,525
Special event income	317,438	-	317,438
Value of contributed inventory	-	11,314,082	11,314,082
Grants:			
Federal	-	103,334	103,334
Local	180,000	-	180,000
Other	380,673	1,338,392	1,719,065
Total Grants	560,673	1,441,726	2,002,399
Total Support	3,295,376	14,301,572	17,596,948
Net assets released from restrictions			
Value of contributed food distributed	11,155,568	(11,155,568)	-
Other net assets released from restrictions	1,884,200	(1,884,200)	-
TOTAL REVENUE AND SUPPORT	16,669,294	1,261,804	17,931,098
EXPENDITURES			
Program and Support Services			
Program services	14,660,539	-	14,660,539
General and administrative	339,124	-	339,124
Fundraising	910,641	-	910,641
TOTAL EXPENDITURES	15,910,304	-	15,910,304
Increase in net assets from operations	758,990	1,261,804	2,020,794
Change in Interest in All Faiths Food Bank Foundation, Inc.	-	(79,197)	(79,197)
INCREASE IN NET ASSETS	758,990	1,182,607	1,941,597
NET ASSETS, BEGINNING OF YEAR	5,548,297	2,984,108	8,532,405
NET ASSETS, END OF YEAR	\$ 6,307,287	\$ 4,166,715	\$ 10,474,002

The accompanying notes are an integral part of these financial statements.

ALL FAITHS FOOD BANK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 1,941,597
Adjustments to reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	242,990
Change in the Interest in Foundation	79,197
Loss on disposals	595
Decrease (increase) in:	
Accounts receivable	(3,481)
Grants and contracts receivable	(35,103)
Capital campaign pledges receivable	104,736
Inventory	(144,144)
Prepaid expenses and deposits	(523,569)
(Decrease) increase in:	
Accounts payable	(47,323)
Accrued liabilities	17,222
 Total Cash Provided by Operating Activities	 <u>1,632,717</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(329,611)
Proceeds from sale of property and equipment	<u>1,000</u>
 Total Cash Used by Investing Activities	 <u>(328,611)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 1,304,106
 CASH AND CASH EQUIVALENTS – Beginning of year	 <u>1,839,768</u>
 CASH AND CASH EQUIVALENTS – End of year	 <u>\$ 3,143,874</u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:

The Organization received an in-kind donation of land and building in the current year totaling \$511,600.

The accompanying notes are an integral part of these financial statements.

ALL FAITHS FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	General and Administrative	Fundraising	Totals
Salaries	\$ 1,086,686	\$ 219,283	\$ 332,273	\$ 1,638,242
Payroll taxes and workers compensation	218,010	35,778	58,220	312,008
Employee benefits	134,577	20,666	32,730	187,973
HR/payroll other	14,736	2,757	4,260	21,753
Total salaries and employee benefits	1,454,009	278,484	427,483	2,159,976
Advertising and publicity	118	-	17,062	17,180
Conferences, conventions and meetings	29,100	3,549	6,608	39,257
Depreciation	227,100	5,743	10,147	242,990
Direct mail costs	-	-	148,603	148,603
Donor outreach and recognition	-	-	12,887	12,887
Donated food distributed	11,155,568	-	-	11,155,568
Dues and subscriptions	5,864	581	3,869	10,314
Insurance	67,610	8,185	7,376	83,171
Merchant and bank fees	-	-	13,902	13,902
Miscellaneous	371	113	5,054	5,538
Occupancy	63,253	3,944	6,800	73,997
Postage	3,277	128	22,493	25,898
Professional fees	25,105	27,598	50,635	103,338
Program direct costs	111,256	-	121,899	233,155
Purchased food distributed	1,179,685	-	-	1,179,685
Rent	21,841	900	282	23,023
Repairs and maintenance	63,858	889	1,600	66,347
Special events	-	-	37,164	37,164
Supplies	67,836	3,162	5,888	76,886
Telephone	29,182	3,559	6,627	39,368
Travel	18,770	2,289	4,262	25,321
Truck maintenance and fuel	134,086	-	-	134,086
Volunteer	2,650	-	-	2,650
TOTAL	\$ 14,660,539	\$ 339,124	\$ 910,641	\$ 15,910,304

The accompanying notes are an integral part of these financial statements.

ALL FAITHS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

All Faiths Food Bank, Inc. (the Organization) was incorporated on March 13, 1989 as a non-profit corporation under the laws of the State of Florida. The mission of the Organization is to feed the hungry and educate the community about hunger and nutrition. A member of the Feeding America Network, the Organization is the hub of hunger relief for Sarasota and DeSoto Counties. Through 195 partner agencies and programs, the Organization changes lives by providing families and individuals with nutritious food, hope and dignity. While the Organization can measure pounds of food delivered and meals served, the goal is to help people take control of their lives by reducing food insecurity in our community.

The Organization is a member of the Feeding America National Food Bank Network ("Feeding America"), a network of food banks nationwide that collect throughout the food industry for distribution to non-profit feeding programs. The Organization obtains the majority of its food inventory from local food drives, processors, wholesalers, distributors, restaurants and resorts.

Basis of Accounting

The financial statements of All Faiths Food Bank, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRC. The Organization also considers items that may be subject to tax as unrelated trade or business income each year and files the appropriate exempt organization business income tax return each year. There was no tax related to unrelated trade or business income for the year ended December 31, 2015. The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 related to accounting for uncertainty in income taxes. Management has reviewed their tax positions and concluded no liability or uncertain tax positions, or any interest or penalties related to uncertain tax positions should be recognized in the Organization's financial statements. Therefore, no provision for income taxes is made in these financial statements. The Organization's last three years tax filings remain open to IRS inspection.

ALL FAITHS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets were \$4,166,715 as of December 31, 2015. There were no permanently restricted net assets at December 31, 2015.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All other 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on the relative benefit provided.

Cash and Cash Equivalents

For purposes of the statement of cash flows, investments with an original maturity of three months or less are considered to be cash and cash equivalents.

Donated Assets

Donated assets with an objective basis for valuation are recorded at their fair market value at the date of receipt.

Inventory

Purchased food inventory is stated at the lower of cost or market using the first-in first-out method. Donated food inventory is valued at the approximated average wholesale value of one pound of donated product at the national level as outlined in the *Product Valuation Survey Methodology* prepared annually by Feeding America. This value was \$1.70 per pound as of December 31, 2015.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for potential uncollectible amounts through a provision based on its assessment of the current status of individual accounts and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off. Management considers accounts receivable balances to be fully collectible. As a result, no allowance for uncollectible amounts has been established.

ALL FAITHS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

The Organization capitalizes all purchases of property and equipment in excess of \$1,000. Purchased property and equipment are capitalized at cost. Donated property and equipment are capitalized at the approximate fair value at the date of donation. Property and equipment are depreciated on the straight-line method and accelerated method over the expected useful lives.

Advertising

The Organization expenses advertising cost as incurred. Advertising expenses were \$17,180 for 2015.

Pledges

Revenues from unconditional promises to give are recognized as contributions in the period in which a receipt or an unconditional promise to give is received. Promises to give in the future are valued at the present value of the estimated future cash flows. The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's experience and analysis of specific promises made.

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

ALL FAITHS FOOD BANK, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements – Continued

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding 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.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Organization places its cash and cash equivalents with local financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Management considers the risk to be minimal and makes efforts to keep balances within FDIC limits.

NOTE 3 – INVENTORY

Inventory at December 31, 2015 consisted of the following:

Donated food	\$ 688,564
Purchased food	<u>84,052</u>
Total	<u>\$ 772,616</u>

NOTE 4 – PROPERTY AND EQUIPMENT

The estimated useful lives and accumulated depreciation by major classification of assets are as follows as of December 31, 2015:

	<u>Estimated Useful Life</u>	
Vehicles	3 – 10	\$ 439,755
Warehouse equipment	5 – 20	245,544
Office equipment	3 – 10	65,711
Building and Improvements	7 – 39	<u>452,073</u>
		<u>\$ 1,203,083</u>

ALL FAITHS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 - PROPERTY AND EQUIPMENT - CONTINUED

Depreciation expense was \$242,990 for the year ended December 31, 2015.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs or uses at December 31, 2015:

Inventory - for distribution to agencies	\$ 688,564
Foundation interest	2,213,240
Programs	715,500
Campus expansion	492,526
Pledges receivable, net	<u>56,885</u>
Total	<u>\$ 4,166,715</u>

NOTE 6 - DONATED SERVICES

A number of volunteers have contributed approximately 35,377 hours of time in 2015 to the activities of the Organization without compensation. The financial statements do not reflect the value of these donated services because, although clearly substantial, they do not meet the criteria for recorded donated services. However, management estimates the value of these services to be \$284,781 for 2015.

NOTE 7 - RELATED PARTY TRANSACTIONS

In May 1994, the All Faiths Food Bank Foundation, Inc. ("the Foundation") was created to receive property to be administered exclusively for charitable purpose, for the benefit of the community of Sarasota, Florida. Distribution to the Organization is at the sole discretion of the Foundation's board of directors.

The Foundation's bylaws limit distribution to 3% - 5% annually or 10% for emergency reasons within a five year window. As the Foundation holds contributions and investments that are for the benefit of the Organization, the ASC topic related to *Transfer of Assets to a Non-profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, requires the Organization to recognize an asset equal to the total beneficial interest in the net assets of the Foundation. Each year the Organization's interest in the Foundation is adjusted to reflect the value of the Foundation's net assets, which are valued at fair value using investment statements provided by a third party trustee. The change in net assets is recognized in the statement of activities.

The Foundation contributed \$114,622 to the Organization during 2015.

ALL FAITHS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 8 – FAIR VALUE MEASUREMENTS

The following sets forth the level, within the fair value hierarchy, of the Organization's assets measured at fair value on a recurring basis at December 31, 2015: (see Note 1 for definitions).

	Assets at Fair Value as of December 31, 2015			
	Totals	Level 1	Level 2	Level 3
Beneficial Int. in AFFB Foundation	<u>\$2,213,240</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$2,213,240</u>
Totals	<u>\$2,213,240</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$2,213,240</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015. The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no significant transfers between level 1 or 2 for the period ended December 31, 2015.

The change in fair value of the Organization's assets valued using significant unobservable inputs (Level 3) is shown below:

As discussed in Note 7, each year the Organization's beneficial interest in the All Faiths Food Bank (AFFB) Foundation, Inc. is adjusted to reflect the value of AFFB Foundation's net assets, which are valued at fair value using investment statements provided by a third party trustee. The change in value is included in the "change in interest in All Faiths Food Bank Foundation, Inc." in the accompanying Statement of Activities.

	<u>Beneficial Interest in AFFB Found.</u>
Balance December 31, 2014	\$ 2,292,437
Change in Value (Net)	<u>(79,197)</u>
Balance December 31, 2015	<u>\$ 2,213,240</u>

NOTE 9 – RETIREMENT PLAN

The Organization has a defined contribution plan that is available to all employees that have completed one year of service. The Organization matches up to 5% of the employee's contribution. The employee fully vests in the Organization's contribution after five years of service. Pension expense was \$42,059 for the year ended December 31, 2015.

ALL FAITHS FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10 - PLEDGES RECEIVABLE

Unconditional pledges to the Organization consist of capital campaign pledges for repayment of long-term debt associated with the purchase of the new location and totaled \$6,885 at year end. Other pledges totaled \$50,000 at December 31, 2015 and were to support food programs. Management reviews the collectability of pledges on an ongoing basis. At December 31, 2015, management considered all pledges to be fully collectible, thus no allowance has been recorded. Pledges to be received over a period greater than one year are discounted using a 2% discount rate.

Pledges receivable were as follows at December 31, 2015:

Receivable in less than one year	\$ 56,885
Receivable in one to five years	<u>-0-</u>
Total unconditional pledges	56,885
Less discounts to net present value	<u>-0-</u>
Net unconditional pledges	<u>\$ 56,885</u>

NOTE 11 - LINE-OF-CREDIT

The Organization has a line of credit agreement for \$250,000. Interest is at the prime rate plus .50%, currently 3.75% and is payable on demand. Borrowings are collateralized by business assets. There was no balance outstanding at December 31, 2015.

NOTE 12 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 25, 2016 which is the date the financial statements were available to be issued.