

FOODS RESOURCE BANK
FINANCIAL STATEMENTS
AS OF MARCH 31, 2018 AND 2017
TOGETHER WITH AUDITOR'S REPORT

Dugan & Lopatka

Certified Public Accountants & Consultants
A Professional Corporation
104 East Roosevelt Road
Wheaton, Illinois 60187
(630) 665-4440
Fax (630) 665-5030
www.duganlopatka.com
e-mail: info@duganlopatka.com

Michael J. Dugan
Jerry L. Lopatka
Mark F. Schultz
Peter J. Zich
Leo M. Misdorn

Karen M. Olson
Hugh E. Elliott
Ronald A. Marklund

Gwen S. Henry

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Foods Resource Bank:

We have audited the accompanying financial statements of Foods Resource Bank (the Organization) (a nonprofit organization), which comprise the statement of financial position as of March 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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 audits. 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 of 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.

To the Board of Directors of
Foods Resource Bank
Page two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foods Resource Bank, as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Dugan + Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
June 6, 2018

FOODS RESOURCE BANK
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,312,523	\$ 2,371,345
Certificates of deposits	243,051	1,101,524
Accounts receivable	241	1,381
Member contribution receivable	215,241	177,933
	<hr/>	<hr/>
Total current assets	3,771,056	3,652,183
PROPERTY AND EQUIPMENT AT COST:		
Land	40,080	40,080
Furniture	10,614	59,636
	<hr/>	<hr/>
Total property and equipment at cost	50,694	99,716
Less: accumulated depreciation	6,755	57,477
	<hr/>	<hr/>
Net property and equipment	43,939	42,239
	<hr/>	<hr/>
Total assets	<u>\$ 3,814,995</u>	<u>\$ 3,694,422</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,919	\$ 5,879
Accrued payroll and related withholdings	17,411	31,269
Deferred revenue	260,234	297,038
	<hr/>	<hr/>
Total current liabilities	297,564	334,186
CONTINGINCIES		
NET ASSETS:		
Unrestricted - Board designated	323,475	259,875
- Unrestricted	307,190	463,569
Temporarily restricted	2,886,766	2,636,792
	<hr/>	<hr/>
Total net assets	3,517,431	3,360,236
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 3,814,995</u>	<u>\$ 3,694,422</u>

The accompanying notes are an integral part of this statement.

FOODS RESOURCE BANK
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT, GAINS AND REVENUE:						
Member contributions	\$ 384,775	\$ -	\$ 384,775	\$ 402,006	\$ -	\$ 402,006
Contributions	510,799	2,244,498	2,755,297	459,005	2,118,639	2,577,644
Grant revenue	-	25,000	25,000	-	95,000	95,000
Investment income	3,296	-	3,296	7,832	-	7,832
Miscellaneous	-	-	-	145	-	145
Net assets released from restrictions	2,019,524	(2,019,524)	-	2,255,181	(2,255,181)	-
Total public support, gains and revenue	2,918,394	249,974	3,168,368	3,124,169	(41,542)	3,082,627
FUNCTIONAL EXPENSES:						
Program services						
United States Growing Projects	472,917	-	472,917	524,962	-	524,962
Overseas Programs	2,100,008	-	2,100,008	2,221,936	-	2,221,936
Total program services	2,572,925	-	2,572,925	2,746,898	-	2,746,898
Management and general	222,648	-	222,648	149,443	-	149,443
Fundraising	215,600	-	215,600	148,343	-	148,343
Total functional expenses	3,011,173	-	3,011,173	3,044,684	-	3,044,684
CHANGE IN NET ASSETS	(92,779)	249,974	157,195	79,485	(41,542)	37,943
NET ASSETS, Beginning of year	723,444	2,636,792	3,360,236	643,959	2,678,334	3,322,293
NET ASSETS, End of year	\$ 630,665	\$ 2,886,766	\$ 3,517,431	\$ 723,444	\$ 2,636,792	\$ 3,360,236

The accompanying notes are an integral part of this statement.

FOODS RESOURCE BANK
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 157,195	\$ 37,943
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation expense	1,571	1,782
Decrease in accounts receivable	1,140	7,510
(Increase) decrease in member contributions receivable	(37,308)	182,939
Increase (decrease) in accounts payable	14,040	(10,471)
(Decrease) in accrued payroll and related withholdings	(13,858)	(1,286)
(Decrease) in deferred revenue	(36,804)	(19,112)
Net cash provided by operating activities	<u>85,976</u>	<u>199,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,464)	(242,737)
Proceeds from sale of investments	860,937	-
Payments of notes receivable	-	200,000
Purchase of fixed assets	(3,271)	-
Net cash provided by (used in) investing activities	<u>855,202</u>	<u>(42,737)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	941,178	156,568
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,371,345</u>	<u>2,214,777</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,312,523</u>	<u>\$ 2,371,345</u>

The accompanying notes are an integral part of this statement.

FOODS RESOURCE BANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>United States</u> Growing Projects	<u>Overseas</u> Programs	<u>Total Program</u>	<u>Management</u> and General	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 20,150	\$ 1,791,428	\$ 1,811,578	\$ -	\$ -	\$ 1,811,578
Salaries	281,336	153,155	434,491	91,486	134,030	660,007
Travel	54,374	90,758	145,132	3,310	9,584	158,026
Professional services	754	420	1,174	66,425	5,497	73,096
Benefits	47,131	29,726	76,857	14,582	31,848	123,287
Meeting cost	18,249	4,267	22,516	11,411	1,877	35,804
Payroll taxes	21,037	11,327	32,364	6,793	9,862	49,019
Printing	6,671	188	6,859	2,288	11,873	21,020
Occupancy	4,500	9,000	13,500	4,500	4,500	22,500
Telephone	6,929	4,219	11,148	2,268	3,095	16,511
Memberships	2,500	2,500	5,000	5,000	100	10,100
Supplies	5,346	279	5,625	1,072	342	7,039
Miscellaneous	290	-	290	3,220	-	3,510
Insurance	-	2,500	2,500	6,098	-	8,598
Postage and shipping	2,703	241	2,944	1,001	1,508	5,453
Depreciation expense	-	-	-	1,571	-	1,571
Equipment	-	-	-	623	-	623
Education	-	-	-	1,000	1,484	2,484
Signage	947	-	947	-	-	947
Total functional expenses	<u>\$ 472,917</u>	<u>\$ 2,100,008</u>	<u>\$ 2,572,925</u>	<u>\$ 222,648</u>	<u>\$ 215,600</u>	<u>\$ 3,011,173</u>

The accompanying notes are an integral part of this statement.

FOODS RESOURCE BANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017

	Program Services			Supporting Services		
	United States Growing Projects	Overseas Programs	Total Program	Management and General	Fundraising	Total
Grants	\$ 34,575	\$ 1,961,617	\$ 1,996,192	\$ -	\$ -	\$ 1,996,192
Salaries	302,692	137,642	440,334	52,275	80,290	572,899
Travel	54,742	68,720	123,462	619	5,414	129,495
Professional services	3,100	-	3,100	46,276	10,987	60,363
Benefits	44,900	23,786	68,686	10,951	20,027	99,664
Meeting cost	27,769	3,587	31,356	6,484	3,892	41,732
Payroll taxes	22,303	10,169	32,472	3,782	5,791	42,045
Printing	7,504	205	7,709	2,171	10,919	20,799
Occupancy	5,910	5,440	11,350	5,910	4,315	21,575
Telephone	7,099	4,009	11,108	1,892	2,327	15,327
Memberships	2,700	3,250	5,950	5,000	-	10,950
Supplies	1,750	518	2,268	1,370	663	4,301
Miscellaneous	270	-	270	6,032	1,210	7,512
Insurance	-	2,500	2,500	3,846	-	6,346
Postage and shipping	3,491	493	3,984	939	2,394	7,317
Depreciation expense	-	-	-	1,782	-	1,782
Equipment	40	-	40	-	-	40
Education	124	-	124	-	-	124
Signage	5,993	-	5,993	114	114	6,221
Total functional expenses	\$ 524,962	\$ 2,221,936	\$ 2,746,898	\$ 149,443	\$ 148,343	\$ 3,044,684

The accompanying notes are an integral part of this statement.

FOODS RESOURCE BANK
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES:

Foods Resource Bank (the Organization) is a not-for-profit organization located in Western Springs, Illinois. The Organization is a Christian, non-governmental humanitarian organization committed to international sustainable food security programs that are implemented through implementing member organizations. Implementing member organizations consist of a limited number of Christian denominational agencies that provide financial support for the administration of the Organization.

All overseas programming is the responsibility of the Organization's implementing members who propose, implement, monitor, complete, and report on the programs. The programs are implemented in-country directly by the member or a proven indigenous partner.

The financial statements were available to be issued on June 6, 2018, with subsequent events being evaluated through this date.

The following is a summary of the significant accounting policies applied by management in the preparation of the accompanying financial statements.

Basis of Accounting -

The Organization records its financial transactions and maintains its books and records on the accrual basis of accounting which recognizes revenue as it is earned and expenses as they are incurred.

Basis of 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.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board has designated a portion of its unrestricted net assets as an operating reserve.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets as of March 31, 2018 and 2017.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES: (Continued)

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash and deposits with high credit quality financial institutions.

Accounts Receivable -

Under the Organization's accounting policies, accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review of the accounts by management. The review includes an evaluation of the financial condition and credit worthiness of entities from which it has recorded receivables. After all reasonable attempts to collect a receivable have failed, the amount is written off. Concentrations of credit risk with respect to contributions receivable exist because of the limited diversity of entities from which the Organization has recorded receivables. Member contributions receivable consist primarily of amounts receivable from members due in less than one year, and are recognized at fair value in the year the promise is made.

Property and Equipment -

Property and equipment are carried at original cost or fair market value at date of receipt for donated assets less accumulated depreciation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Deferred Revenue -

Deferred revenue consists of annual member contributions billed for management and general expenses as well as expenses associated with its programming. These member contributions are recognized over a calendar year.

Restricted and Unrestricted Revenue and Support -

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 activities as net assets released from restrictions.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES: (Continued)

Restricted and Unrestricted Revenue and Support - (Continued)

The Organization periodically receives contributions in a form other than cash. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the capitalization policy. Other assets received as contributions are recorded and reflected in the financial statements at their estimated fair values at the date received.

Donated Services -

A number of volunteers have donated their services to the programs of the Organization. No amounts have been recognized for these donated services because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Use of Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes -

The Organization has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established.

The Organization files informational tax returns in the U.S. federal jurisdiction and several states. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2014. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

Advertising Expenses -

All advertising costs are expensed in the period in which they occur.

Functional Allocation of Expenses -

The costs of providing various program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services.

(2) TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets at March 31, 2018 and 2017 available for future periods consist of the following:

	<u>2018</u>	<u>2017</u>
Membership organization accounts:		
United Methodist Committee of Relief	\$ 101,994	\$ 96,462
World Renew	94,280	55,880
Lutheran World Relief	104,552	71,661
World Hope International	51,925	41,858
Mennonite Central Committee of the United States	78,024	20,347
Church of the Brethren	94,308	76,376
Catholic Relief Services	72,933	69,378
Church World Services	17,932	14,595
United Church of Christ/Wider Church Ministries	33,834	18,517
Nazarene Compassionate Ministries, Inc.	17,838	33,084
Christian Church (Disciples of Christ) Week of Compassion	40,598	17,917
Reformed Church World Service	-	20,000
Presbyterian Church USA – Disaster Assistance	70,528	35,055
World Relief	-	7,000
Covenant World Relief	13,903	18,808
Dorcas Aid International Foundation	14,833	6,381
Land Purchase	6,775	7,044
Specific program accounts	<u>2,072,509</u>	<u>2,026,429</u>
 Total temporarily restricted net assets	 <u>\$ 2,886,766</u>	 <u>\$ 2,636,792</u>

(3) LEASE COMMITMENTS:

The Organization leases its facilities in Western Springs, IL. The lease expires in March 2019.

Minimum lease payments due for the years ending March 31 are as follows:

2019	\$ 22,800
------	-----------

Rent expense for the years ended March 31, 2018 and 2017, was \$22,500 and \$21,575, respectively.

(4) EMPLOYEE BENEFIT PLANS:

The Organization sponsors a Simplified Employee Pension Plan (SEP) retirement plan (the Plan) that covers all eligible employees. Employees are eligible to participate in the Plan immediately upon hire. Contributions are made monthly in accordance with the Plan. The Organization's contributions totaled approximately \$64,328 and \$57,352 during the years ended March 31, 2018 and 2017, respectively.