

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Financial Statements and Compliance Reports

June 30, 2017 and 2016



NEWHOUSE & VOGLER
Certified Public Accountants

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
 FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Statement of Functional Expenses:	
Year Ended June 30, 2017	7
Year Ended June 30, 2016	8
Notes to Financial Statements	9-19
 FEDERAL SINGLE AUDIT REPORT	
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	24-26
Summary of Auditor's Results and Schedule of Findings and Questioned Costs	27
Status of Prior Findings and Questioned Costs	28



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Independent Auditor's Report

Board of Directors
Food Bank of Alaska, Inc.
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Food Bank of Alaska, which comprise the statements of financial position as of June 30, 2017 and 2016, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

Board of Directors
Food Bank of Alaska, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of Alaska as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 on our consideration of Food Bank of Alaska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Food Bank of Alaska's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Newman & Vogel", is written in a cursive style.

Anchorage, Alaska
December 21, 2017

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Statements of Financial Position

June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current Assets:		
Unrestricted cash	\$ 823,897	662,166
Temporarily restricted cash	207,965	407,398
Receivables:		
Accounts, net of allowance of \$8,000 for 2016 and 2015	188,892	202,913
Grants	271,531	353,099
Pledges - current	55,481	50,031
Food inventory	1,667,236	1,476,079
Prepaid expenses	<u>59,328</u>	<u>82,372</u>
Total current assets	<u>3,274,330</u>	<u>3,234,058</u>
Non-current Assets:		
Pledges receivable - noncurrent	82,565	113,944
Property and equipment, net	1,802,993	1,784,715
Buildings held for sale	-	57,226
Investments	<u>134,842</u>	<u>124,014</u>
Total non-current assets	<u>2,020,400</u>	<u>2,079,899</u>
 Total assets	 <u>\$ 5,294,730</u>	 <u>5,313,957</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 52,708	123,733
Accrued salaries and taxes	90,144	84,568
Unearned revenue	-	117,391
Note payable, current	<u>10,714</u>	<u>10,157</u>
Total current liabilities	<u>153,566</u>	<u>335,849</u>
Noncurrent Liabilities:		
Note payable, noncurrent	<u>96,911</u>	<u>107,536</u>
Total liabilities	250,477	443,385
Net assets:		
Temporarily restricted	374,511	620,718
Unrestricted:		
Designated for:		
Inventory	1,667,236	1,476,079
Property and equipment	1,802,993	1,784,715
Endowment	134,842	124,014
Undesignated	<u>1,064,671</u>	<u>865,046</u>
Total unrestricted net assets	<u>4,669,742</u>	<u>4,249,854</u>
 Total net assets	 <u>5,044,253</u>	 <u>4,870,572</u>
 Total liabilities and net assets	 <u>\$ 5,294,730</u>	 <u>5,313,957</u>

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Statements of Activities**Years Ended June 30, 2017 and 2016*

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets from cash operating activities:		
Support (including \$711,918 and \$697,856, respectively, in assets released from temporary restrictions. See Note I):		
Individuals	\$ 1,374,999	1,258,528
Foundations	430,958	309,430
Businesses	747,180	755,803
Government:		
Federal	838,340	975,558
State	12,250	10,000
Other	100,000	68,576
Total Government	<u>950,590</u>	<u>1,054,134</u>
Total support	3,503,727	3,377,895
Revenue:		
Fees and services	891,342	804,316
Membership income	-	6,700
Other income	8,167	8,802
Total revenue	<u>899,509</u>	<u>819,818</u>
Total revenue and support	<u>4,403,236</u>	<u>4,197,713</u>
Expenses:		
Food and freight	1,300,198	1,687,762
Personnel	1,867,230	1,609,741
Occupancy and other	1,097,969	884,939
Total expense	<u>4,265,397</u>	<u>4,182,442</u>
Changes in unrestricted net assets from cash operating activities	<u>\$ 137,839</u>	<u>15,271</u>

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Statements of Activities, continued

	2017	2016
Changes in unrestricted net assets from non-cash and non-operating activities:		
From non-cash activities:		
Depreciation	\$ (187,674)	(164,075)
From in-kind:		
Donated food		
Federal	3,499,006	3,072,867
Other	9,086,979	7,926,788
Distributed food and freight		
Federal	(3,576,571)	(2,942,301)
Other	(8,859,792)	(7,699,411)
In-kind freight	(308,508)	(332,233)
In-kind freight	308,508	332,233
Total non-cash activities	(38,052)	193,868
From non-operating activities:		
Investment (expense) income, net	12,613	(1,486)
Interest income	2,994	1,922
Interest expense	(6,195)	(4,891)
In-kind donations of capital items	-	57,226
Grants released for capital purposes	224,780	335,118
Proceeds from gaming	85,909	25,618
Total non-operating activities	320,101	413,507
Changes in unrestricted net assets from non-cash and non-operating activities	282,049	607,375
Changes in unrestricted net assets	419,888	622,646
Changes in temporarily restricted net assets:		
Gifts and contributions	330,931	351,784
Grants received for capital purposes:		
Foundation	18,500	90,000
Federal	-	274,400
State	116,280	13,552
Net assets released from restrictions	(711,918)	(697,856)
Changes in temporarily restricted net assets	(246,207)	31,880
Change in net assets	173,681	654,526
Net assets, beginning of year	4,870,572	4,216,046
Net assets, end of year	\$ 5,044,253	4,870,572

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Statements of Cash Flows**Years Ended June 30, 2017 and 2016*

	<u>2017</u>	<u>2016</u>
Cash flow from operating activities:		
Change in net assets	\$ 173,681	654,526
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	187,674	164,075
Capitalized in-kind contributions	-	(57,226)
Unrealized and realized loss (gain) on investments	(10,311)	3,661
(Increases) decreases in assets:		
Accounts receivable	14,021	(71,911)
Grants receivable	81,568	73,201
Food inventory	(191,157)	(191,521)
Pledges receivable	25,929	14,608
Prepaid expenses	23,044	(9,657)
Increases (decreases) in liabilities:		
Accounts payable	(71,025)	(67,793)
Accrued salaries and taxes	5,576	17,713
Unearned revenue	(117,391)	98,511
Net cash provided by operating activities	<u>121,609</u>	<u>628,187</u>
Cash flow from investing activities:		
Purchase of investments	(517)	(600)
Proceeds from sale of buildings held for sale	57,226	-
Purchases of fixed assets	<u>(205,952)</u>	<u>(408,004)</u>
Net cash used by investing activities	<u>(149,243)</u>	<u>(408,604)</u>
Cash flow from financing activities:		
Principal payments on debt	<u>(10,068)</u>	<u>(7,307)</u>
Net cash used by financing activities	<u>(10,068)</u>	<u>(7,307)</u>
Net increase in cash	(37,702)	212,276
Cash, beginning of year	<u>1,069,564</u>	<u>857,288</u>
Cash, end of year	<u>\$ 1,031,862</u>	<u>1,069,564</u>
Cash at end of year:		
Unrestricted cash	\$ 823,897	662,166
Temporarily restricted cash	<u>207,965</u>	<u>407,398</u>
	<u>\$ 1,031,862</u>	<u>1,069,564</u>
Supplemental information:		
Cash paid for interest	<u>\$ 6,195</u>	<u>4,891</u>
Noncash capital financing:		
Loan proceeds paid directly to title agency	<u>\$ -</u>	<u>125,000</u>

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Statement of Functional Expenses

Year Ended June 30, 2017

Expense	Program Services	Supporting Activities			Total Program and Support Services
		Administration	Fundraising	Total	
Cash expenses:					
Salaries and benefits	\$ 1,232,573	477,606	157,051	634,657	1,867,230
Purchased food	888,372	-	-	-	888,372
Purchased freight	411,826	-	-	-	411,826
Professional fees/outside services	105,975	68,872	24,879	93,751	199,726
Operations and maintenance	242,383	10,857	1,740	12,597	254,980
Utilities and phone	92,348	2,140	2,746	4,886	97,234
Printing	4	-	530	530	534
Grants to other organizations	151,323	13,433	-	13,433	164,756
Dues and subscriptions	5,510	21,481	1,268	22,749	28,259
Travel and meetings	80,300	37,863	12,668	50,531	130,831
Supplies	31,208	4,560	17,094	21,654	52,862
Postage	9,688	1,670	133,213	134,883	144,571
Interest expense	1,579	4,616	-	4,616	6,195
Other	10,311	3,276	10,629	13,905	24,216
<i>Total cash expenses</i>	<u>3,263,400</u>	<u>646,374</u>	<u>361,818</u>	<u>1,008,192</u>	<u>4,271,592</u>
Non-cash expenses:					
Depreciation	150,005	33,601	4,068	37,669	187,674
In-kind:					
Distribution of donated food	12,436,363	-	-	-	12,436,363
In-kind freight	308,508	-	-	-	308,508
<i>Total non-cash expenses</i>	<u>12,894,876</u>	<u>33,601</u>	<u>4,068</u>	<u>37,669</u>	<u>12,932,545</u>
<i>Total expenses</i>	<u>\$ 16,158,276</u>	<u>679,975</u>	<u>365,886</u>	<u>1,045,861</u>	<u>17,204,137</u>

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Statement of Functional Expenses

Year Ended June 30, 2016

Expense	Program Services	Supporting Activities			Total Program and Support Services
		Administration	Fundraising	Total	
Cash expenses:					
Salaries and benefits	\$ 1,126,248	357,082	126,411	483,493	1,609,741
Purchased food	1,252,736	-	-	-	1,252,736
Purchased freight	435,026	-	-	-	435,026
Professional fees/outside services	111,300	57,782	32,589	90,371	201,671
Operations and maintenance	209,985	-	1,675	1,675	211,660
Utilities and phone	93,615	2,729	2,109	4,838	98,453
Printing	12,567	10,522	13,776	24,298	36,865
Grants to other organizations	50,636	-	-	-	50,636
Dues and subscriptions	3,458	8,993	300	9,293	12,751
Travel and meetings	95,084	25,221	399	25,620	120,704
Supplies	35,992	4,396	9,883	14,279	50,271
Postage	4,415	4,426	79,060	83,486	87,901
Interest expense	2,228	2,663	-	2,663	4,891
Other	1,281	348	12,398	12,746	14,027
<i>Total cash expenses</i>	<u>3,434,571</u>	<u>474,162</u>	<u>278,600</u>	<u>752,762</u>	<u>4,187,333</u>
Non-cash expenses:					
Depreciation	137,750	21,975	4,350	26,325	164,075
In-kind:					
Distribution of donated food	10,641,712	-	-	-	10,641,712
In-kind freight	332,233	-	-	-	332,233
<i>Total non-cash expenses</i>	<u>11,111,695</u>	<u>21,975</u>	<u>4,350</u>	<u>26,325</u>	<u>11,138,020</u>
<i>Total expenses</i>	<u>\$ 14,546,266</u>	<u>496,137</u>	<u>282,950</u>	<u>779,087</u>	<u>15,325,353</u>

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements

June 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Food Bank of Alaska, Inc. (FBA) is presented to aid in understanding the financial statements. The financial statements and notes are the representations of FBA's management, who are responsible for their integrity and objectivity. The accounting principles which are applied in the accompanying financial statements conform to generally accepted accounting principles.

Nature of the Organization

FBA was incorporated in 1979 as a non-profit organization pursuant to Alaska statutes. Its mission is to eliminate hunger in Alaska by obtaining and providing food to partner agencies feeding hungry people and through anti-hunger leadership. FBA is a member of Feeding America, the nation's food bank network (formerly known as America's Second Harvest). Public support is comprised primarily of contributions of food from governmental agencies, local businesses and individuals and cash donations from United Way, local businesses and individuals. Revenue is derived from memberships and fees paid to FBA by its partner agencies and from the Alaska Native Tribal Health Consortium for the Food Distribution Program on Indian Reservations.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accrued assets and liabilities.

Financial Statement Presentation

The financial statement presentation is done pursuant to the accounting principles outlined by the Financial Accounting Standards Board. Pursuant to the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, FBA reports information regarding its financial position and activities in three classes of net assets (equity): unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Only those resources which are restricted as to their use, by donor directives, are classified as restricted net assets. All other resources are included in unrestricted net assets.

The presentation included in the accompanying Statements of Activities further delineates the activity of FBA by emphasizing the distinction between its cash and non-cash revenues and expenses and between its operating and non-operating revenues and expenses.

Income Tax Status

The Organization is exempt from income taxes as a nonprofit corporation organized under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash

For purposes of the Statement of Cash Flows, FBA considers all unrestricted highly liquid investments (i.e. those with a maturity of 3 months or less) which are available for current use to be included in its definition of cash. For fiscal years 2017 and 2016, cash included checking, savings, and money market accounts and petty cash.

Accounts Receivable

Accounts receivable, which primarily relate to amounts due from the FBA's partner agencies for food handling fees, are stated at the amount expected to be collected. The allowance for uncollectible accounts, which is included in the accompanying financial statements, is based on management's assessment of the collectability of the individual accounts.

Inventory

The inventory of food and related commodities is measured by applying a monetary rate to the quantity, in pounds, of foodstuffs on hand. The monetary rate (which has been calculated by Feeding America) is designed to represent the average value of food and related commodities held by a typical food bank. Rates for fiscal years 2017 and 2016 were \$1.67 and \$1.70 per pound, respectively.

Property and Equipment

Property and equipment is carried at cost, or in the case of donated property, at the estimated fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as described in the following table. The cost of maintenance and repairs is charged to expense when incurred.

<u>Description</u>	<u>Estimated Useful lives</u>
Vehicles	3 to 7 years
Warehouse equipment	3 to 10 years
Freezers/Refrigerators	3 to 20 years
Office Equipment	3 to 7 years
Warehouse building	40 years

Revenue and Expense Recognition

Contributions are recognized in the period in which either the donation is received or the pledge is made, although any promises of future contributions that are contingent upon substantive conditions being met are not recognized until those conditions are met.

Donor-restricted contributions (including support pledged for a future period) are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When the applicable restriction is satisfied or time passes, whichever the case may be, the temporarily restricted net assets are reclassified to unrestricted net assets.

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Notes to Financial Statements, continued

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue and Expense Recognition, continued

Agency dues, handling fees, The Emergency Food Assistance Program (TEFAP) and Commodity Supplemental Food Program (CSFP) reimbursements, Summer Food Service Program (SFSP) and Child and Adult Care Food Program (CACFP) and contractual payments are recognized as revenue when earned. Proceeds from fundraising efforts are recognized when the event occurs, including accruals for any amounts outstanding at year end.

Contributed food and related commodities are valued by measuring their weight and applying a monetary rate to the measured quantity. The valuation of the foodstuffs is recognized as revenue when received and as expense when distributed.

Governmental grant awards are recognized as revenue when the associated contractual obligations are met – generally when allowable expenses have been incurred. Cash received which is in excess of the satisfied contractual obligations is included in temporarily restricted net assets at year end.

Expenses are accrued in the accounting period in which the obligation arises.

Income from Operations

The Statements of Activities include *Increase (decrease) in Unrestricted Net Assets from Cash Operating Activities* as a measurement indicator. This figure measures the results of current period cash operating transactions only; donated goods and services, support restricted to future program expansion, and activities relating to capital funding and outlays are excluded from this intermediate measurement indicator.

Functional Expense Allocations

For the purposes of the Statement of Functional Expenses, expenses directly associated with FBA's program, its administration or its fundraising activities are charged to the particular function. Allocable expenses benefiting all functions are allocated by management based on the benefits of the activities performed. Administrative expenses also include expenses that are not identifiable as either a program or fundraising expense, but which provide for the overall support and direction of FBA.

Donated Goods and Services (In-kind)

Donations of goods are recognized as contributions at their estimated fair values when the donation is received. Donated services which satisfy the definitions of the Financial Accounting Standards Board, are recognized as contributions when the service is rendered. In addition to the donated services which are recognized as contributions, many other volunteers have contributed significant time in assisting FBA for which their donated service is not recognized because it does not meet the published criteria of the Financial Accounting Standards Board.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates and Significant Estimate

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. The valuations of contributed food received and distributed, as well as ending valuation of food inventory are profoundly affected by an estimation process, generally applied by all food bank members of Feeding America.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalent balances are comprised of the following amounts at June 30, 2017:

	Book Balance	Bank Balance
Checking	\$ 325,921	367,029
Savings and money market	705,691	705,691
Petty Cash	250	-
	<u>\$ 1,031,862</u>	<u>1,072,720</u>

Cash and cash equivalent balances are comprised of the following amounts at June 30, 2016:

	Book Balance	Bank Balance
Checking	\$ 389,685	524,536
Savings and money market	679,629	679,629
Petty Cash	250	-
	<u>\$ 1,069,564</u>	<u>1,204,165</u>

Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000 per financial institution. At June 30, 2017 and 2016, \$500,000 of bank deposits were insured by the FDIC. Uncollateralized and uninsured balances at June 30, 2017 and 2016 were \$572,720 and \$704,165, respectively.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE C – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2017 was \$138,046 due in varying amounts from several individuals. Pledges receivable as of June 30, 2016 was \$163,975 due in varying amounts from several individuals.

NOTE D – FOOD DONATIONS AND FOOD INVENTORY

FBA receives donated food from individual donors, several businesses and from the USDA Emergency Food Assistance and Commodities Supplemental Food programs. During the years ended June 30, 2017 and 2016, FBA received 7,536,518 and 6,470,385 pounds of donated food and other commodities, respectively. Using a valuation rate provided by Feeding America of \$1.67 and \$1.70 per pound for fiscal years 2017 and 2016, respectively, the donated food is valued at \$12,585,985 and \$10,999,655 in the accompanying Statements of Activities.

Donated food inventory at June 30, 2017 and 2016 totaled 868,175 and 712,417 pounds, respectively. Applying the same valuation rates, and taking into account the actual cost of purchased food, the ending inventory is valued at \$1,667,236 and \$1,476,079 as of June 30, 2017 and 2016, respectively, in the accompanying Statements of Financial Position.

NOTE E – INVESTMENTS

FBA maintains a Board-designated endowment with the Alaska Community Foundation. The foundation includes this investment as assets owned by the Foundation and is presented as a component fund in their financials. As defined by United States Treasury Regulations, the Foundation has the right to modify the terms of the fund agreement if in the judgment of the Foundation's Board of Trustees the restrictions and conditions of the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The authority to modify restrictions is sometimes referred to as "variance power" and is a legal standard imposed on all community foundations. As a result of the variance power all component funds are considered to be a part of a single public charity, in this case the Alaska Community Foundation. Therefore, the Foundation is the single legal owner of all assets contributed to any of its component funds.

By direction of the FBA's Board of Directors, this fund, both its contributions as well as earnings, is presently being preserved in order to accumulate enough resources so that it can generate a future, ongoing source of income for FBA. The underlying investments of this fund are a mix of fixed income securities and equities and are measured at their fair value in the accompanying financial statements.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE E – INVESTMENTS, continued**

The fiscal year activity of this fund is summarized as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 124,014	127,075
Contributions	517	600
Interest earned	1,693	2,422
Investment fees	(2,303)	(2,176)
Realized and unrealized gains, net	<u>10,921</u>	<u>(3,907)</u>
Balance, end of year	<u>\$ 134,842</u>	<u>124,014</u>

Investment income and (losses) gains, net of investment fees, for June 30, 2017 and 2016 totaled \$10,311 and \$(3,661) respectively and are included in the investment income line item in the non-operating activities section of the Statement of Activities.

NOTE F – CAPITAL ASSETS

Capital assets are comprised of the following:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Physical plant:				
Land	\$ 543,097	-	-	543,097
Buildings - warehouse	1,586,954	6,314	-	1,593,268
Refrigeration - warehouse	<u>270,399</u>	<u>-</u>	<u>(14,152)</u>	<u>256,247</u>
<i>Total physical plant</i>	2,400,450	6,314	(14,152)	2,392,612
Equipment:				
Vehicles and trailers	618,879	118,081	(71,376)	665,584
Warehouse equipment	315,410	29,023	(10,997)	333,436
Office equipment	<u>154,262</u>	<u>52,534</u>	<u>(29,695)</u>	<u>177,101</u>
<i>Total equipment</i>	<u>1,088,551</u>	<u>199,638</u>	<u>(112,068)</u>	<u>1,176,121</u>
<i>Total capital assets</i>	3,489,001	205,952	(126,220)	3,568,733
<i>Less accumulated depreciation</i>	<u>(1,704,286)</u>	<u>(187,674)</u>	<u>126,220</u>	<u>(1,765,740)</u>
Capital assets, net	<u>\$ 1,784,715</u>	<u>18,278</u>	<u>-</u>	<u>1,802,993</u>

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE G – CONTINGENCIES

Secured interest in warehouse and office

Pursuant to the terms of a 1996 debt reduction grant with the Alaska Department of Health and Social Services, FBA provided the State of Alaska secured interest in its warehouse and office facility; the secured position is scheduled to expire in 2017.

Performance standards contingency

Pursuant to terms of a 1998 warehouse addition grant with the Municipality of Anchorage, FBA has committed to maintain certain standards in operating its program over the defined 20 year life of the warehouse addition.

Grants and contracts compliance

Other grant proceeds are subject to adjustment and refund should the funding sources ultimately disallow any grant costs reported by FBA.

NOTE H – NOTE PAYABLE

Note payable at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Note payable to Wells Fargo. Interest accrues at 5.400%. Payments of \$1,355 are due monthly. This note is secured and matures on September 12, 2025.	\$ 107,625	117,693
Current portion	<u>(10,714)</u>	<u>(10,157)</u>
Total long-term debt excluding current portion	<u>\$ 96,911</u>	<u>107,536</u>

Future minimum payments on note payable are as follows:

Year ended June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	10,714	5,549	16,263
2019		11,307	4,956	16,263
2020		11,933	4,330	16,263
2021		12,594	3,669	16,263
2022		13,291	2,972	16,263
2023-2027		<u>47,786</u>	<u>4,364</u>	<u>52,150</u>
	\$	<u>107,625</u>	<u>25,840</u>	<u>133,465</u>

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE I – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were comprised of the following amounts at June 30:

	<u>2017</u>	<u>2016</u>
United Way, subsequent year's funding	\$ 28,500	35,626
Ford - Kids' Meals	-	20,000
Ford - Child Hunger	13,918	20,000
GCI Blessing	-	7,500
WalMart - SNAP Innovation	53,723	90,526
Feeding America - Advocacy Capacity/Innovation	-	51,156
Feeding America - Safeway Food Initiative	-	92,000
Feeding America - Costco	10,150	758
Feeding America - Hunger Is	65,000	-
Knowledge Needs Nutrition (KNN) - Ford	-	6,149
KNN - Beth Sholom Congregation	-	156
FNBA Virtual Food Drive	1,472	5,000
Mazon	20,747	30,000
New Ventures CBPP	39,490	-
Red Nose Day	-	4,483
Mobile Food Pantry program	-	2,264
SOA-DNR Child Nutrition	3,465	1,125
Capital - Walmart - Warehouse equipment and security	-	50,000
Capital - Mat-Su Health Foundation CERES4	-	15,000
Capital - Rasmuson CERES4	-	25,000
Individual pledges	<u>138,046</u>	<u>163,975</u>
 Total temporarily restricted assets	 <u>\$ 374,511</u>	 <u>620,718</u>

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Notes to Financial Statements, continued***NOTE I – TEMPORARILY RESTRICTED NET ASSETS, continued**

Temporarily restricted net assets were released from restriction for the following purposes for year ended June 30:

	<u>2017</u>	<u>2016</u>
United Way Grants, subsequent year's funding	\$ 35,626	47,500
Knowledge Needs Nutrition (KNN) - Ford	6,150	24,756
Ford - Kids' Meals	20,000	-
Ford - Child Hunger	23,082	-
KNN - Beth Sholom Congregation	156	2,527
FNBA Virtual Food Drive	3,528	-
GCI Blessing	7,500	-
Blessing program	15,000	33,500
SOA-DNR Child Nutrition	2,250	-
Mat-Su Health Foundation Blessing program	-	15,000
Feeding America - Safeway Food Initiative	92,000	7,001
Feeding America - Costco	758	20,075
Feeding America - Rednose	10,990	-
Feeding America - Hunger Is	15,000	-
Conoco Phillips PCG	20,000	-
S.L. Gimbel Foundation - GIFT	-	10,000
Alaska Airlines - GIFT	-	1,000
Enstar - GIFT	-	5,000
Alaska Community Foundation - Wildfire Relief	-	2,500
Mazon	24,253	-
Feeding America - Advocacy capacity	51,156	48,844
Red Nose Day	4,483	5,517
Langston Family Foundation	-	3,000
Mobile Food Pantry program	2,264	2,736
Waste Not, Want Not program	-	15,000
WalMart - SNAP Innovation	88,503	59,474
New Ventures CBPP	10,510	-
MDU Resources Foundation	-	6,000
Capital - Vehicle replacement plan	-	13,552
Capital - Mat-Su expansion	-	274,400
Capital - Website revamp and Lift Truck	-	2,662
Capital - Mat-Su Health Foundation CERES4	15,000	-
Capital - Rasmuson CERES4	25,000	-
Capital - Walmart - Warehouse equipment and security	50,000	-

(continued on next page)

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Notes to Financial Statements, continued

NOTE I – TEMPORARILY RESTRICTED NET ASSETS, continued

	2017	2016
Capital - WalMart - Agency Room Racking and Equipment	-	24,826
Capital - Rasmuson - Carpeting & Pallet Jacks	-	19,678
Capital - Fidelity CERES4	18,500	-
Capital - SOA Essential Equipment	116,280	-
Pledges from individuals	53,929	53,308
 Total restricted net assets released	 \$ 711,918	 697,856

NOTE J – UNRESTRICTED AND TEMPORARILY RESTRICTED NET ASSETS

Unrestricted grants and support originate from contributions received that have no donor restrictions and from the funding released from the temporarily restricted classification.

Donor-restricted contributions (including support pledged for a future period) are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When the applicable restriction is satisfied or time passes, whichever the case may be, the temporarily restricted net assets are reclassified to unrestricted net assets.

A recap of the FBA's unrestricted grants and support, as well as the composition and changes of the FBA's temporarily restricted net assets, is as follows:

Type of Donor	<u>Temporarily Restricted Grants and Support</u>				<u>Unrestricted Grants and Support</u>		
	Balance at June 30, 2016	Received in FY17	Released to Unrestricted in FY17	Balance at June 30, 2017	Temp. Restricted Released in FY17	Unrestricted Grants and Support Received in FY17	Total Unrestricted Grants and Support for FY17
For Operating							
Individuals	\$ 163,975	28,000	53,929	138,046	53,929	-	53,929
Private sources	365,618	298,341	430,959	233,000	430,959	-	430,959
Government	1,125	4,590	2,250	3,465	2,250	-	2,250
Total for Operating	530,718	330,931	487,138	374,511	487,138	-	487,138
For Capital							
Private sources	90,000	18,500	108,500	-	108,500	-	108,500
State government	-	116,280	116,280	-	116,280	-	116,280
Federal government	-	-	-	-	-	-	-
Total for Capital	90,000	134,780	224,780	-	224,780	-	224,780
Total	\$ 620,718	465,711	711,918	374,511	711,918	-	711,918

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Notes to Financial Statements, continued

NOTE K – FUNDRAISING AND SPECIAL EVENTS

Special events activity is summarized as follows:

	<u>2017</u>	<u>2016</u>
Revenues	\$ -	131,634
Expenses	<u>-</u>	<u>(60,019)</u>
	<u>\$ -</u>	<u>71,615</u>

No special events were held in the year ended June 30, 2017.

The revenues above are included in support from individuals and businesses, and expenses are included in various fundraising expense accounts in the financial statements.

NOTE L – PENSION PLAN

FBA sponsors a defined contribution retirement plan. The plan calls for employer matching of employee contributions of a percentage of each participating employee's salary; 2 percent up to one year's service, and 3 percent for one year or more of service. Pension cost for the years ended June 30, 2017 and 2016, totaled \$19,226 and \$15,049, respectively.

NOTE M – SUBSEQUENT EVENTS

In preparing these financial statements, Food Bank of Alaska has evaluated events and transactions for potential recognition or disclosure through December 21, 2017, the date the financial statements were available to be issued.

FEDERAL SINGLE AUDIT REPORT

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

Federal Grant Title	Award Number	CFDA Number	Total Grant Award	Federal Expenditures
U.S. Department of Agriculture (USDA): Cash Assistance Alaska Food Coalition (passed through State of Alaska Department of Health and Social Services)	604-258-1701	10.561	\$ 125,738	110,304
CSFP* (passed through State of Alaska Department of Health and Social Services)	604-262-1702	10.565	123,661	123,661
CACFP (passed through State of Alaska Department of Education and Early Development)	Unknown	10.558	100,484	100,484
SFSP (passed through State of Alaska Department of Food and Nutrition Services)	Unknown	10.559	231,139	231,139
TEFAP* (passed through State of Alaska Department of Education and Early Development)	TE 17.289.02	10.568	<u>153,362</u>	<u>153,362</u>
<i>Total USDA: Cash Assistance</i>			<u>734,384</u>	<u>718,950</u>
U.S. Department of Agriculture (USDA): Non-Cash Assistance CSFP* (passed through State of Alaska Department of Health and Social Services) - Food Commodity	Unknown	10.565	935,340	935,340
FDPIR (passed through Alaska Native Tribal Health Consortium) - Food Commodity	Unknown	10.567	487,891	487,891
TEFAP* (passed through State of Alaska Department of Education and Early Development) - Food Commodity	Unknown	10.569	<u>2,075,775</u>	<u>2,075,775</u>
<i>Total USDA: Non-Cash Assistance</i>			<u>3,499,006</u>	<u>3,499,006</u>
<i>Total USDA: Cash and Non-Cash Assistance</i>			<u>4,233,390</u>	<u>4,217,956</u>
U.S. Department of Health and Human Services (DHHS): Alaska Food Coalition (passed through State of Alaska Department of Health and Social Services)	604-258-1701	93.558	91,572	91,572
U.S. Department of Homeland Security: Emergency Food & Shelter	Phase 33	97.024	<u>27,818</u>	<u>27,818</u>
			<u>\$ 4,352,780</u>	<u>4,337,346</u>

*Denotes a major program.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Schedule of Expenditures of Federal Awards

June 30, 2017 and 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Food Bank of Alaska under programs of the federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the audit requirements of Title 2 U.S. CFR Part 200, Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Food Bank of Alaska, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank of Alaska.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. CFR Part 200, Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – FEDERAL INDIRECT RATE

Food Bank of Alaska did not elect to use the 10% de minimis indirect cost rate.



Newhouse & Vogler

Certified Public Accountants

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Food Bank of Alaska
Anchorage, Alaska

Ladies and Gentlemen:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Food Bank of Alaska, which comprises the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated December 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Food Bank of Alaska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of Alaska's internal control. Accordingly, we do not express an opinion on the effectiveness of Food Bank of Alaska's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Food Bank of Alaska

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food Bank of Alaska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Newman & Vogel".

Anchorage, Alaska
December 21, 2017



Newhouse & Vogler

Certified Public Accountants

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by *Uniform Guidance*

Independent Auditor's Report

Board of Directors
Food Bank of Alaska
Anchorage, Alaska

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

We have audited Food Bank of Alaska's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Food Bank of Alaska's major federal programs for the year ended June 30, 2017. Food Bank of Alaska's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Food Bank of Alaska's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Food Bank of Alaska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of Directors
Food Bank of Alaska

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination of Food Bank of Alaska's compliance.

Opinion on Each Major Federal Program

In our opinion, Food Bank of Alaska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of Food Bank of Alaska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Food Bank of Alaska's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Food Bank of Alaska's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Food Bank of Alaska

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Newman & Vogel" with a stylized flourish at the end.

Anchorage, Alaska
December 21, 2017

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Summary of Auditor's Results, and
Schedule of Findings and Questioned Costs*

Year Ended June 30, 2017

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> No
Noncompliance material to the financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Federal Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568, 10.569	USDA Food Distribution Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Status of Prior Findings and Questioned Costs

Year Ended June 30, 2017

Food Bank of Alaska did not have any findings in the prior year.