

HAYS COUNTY FOOD BANK, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hays County Food Bank

We have audited the accompanying financial statements of Hays County Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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

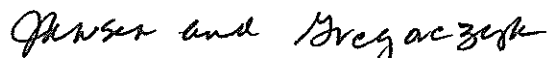
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Hays County Food Bank, Inc. as of December 31, 2017, 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.



Kyle, Texas
March 8, 2018

HAYS COUNTY FOOD BANK, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

TOTAL CURRENT ASSETS	
Cash and cash equivalents	\$ 210,207
TOTAL CURRENT ASSETS	<u>210,207</u>
INVESTMENTS	191,679
PROPERTY AND EQUIPMENT	
Building	158,423
Equipment	173,075
Accumulated Depreciation	<u>(204,737)</u>
TOTAL PROPERTY AND EQUIPMENT	126,761
TOTAL ASSETS	<u><u>\$ 528,647</u></u>
LIABILITIES AND NET ASSETS	
Accrued Employee Benefits	\$ 12,476
TOTAL CURRENT LIABILITIES	<u>12,476</u>
NET ASSETS	
Temporarily Restricted	10,130
Unrestricted	<u>506,041</u>
TOTAL NET ASSETS	\$ 516,171
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 528,647</u></u>

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

HAYS COUNTY FOOD BANK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Support & Revenues:	Unrestricted	Temporarily Restricted	Total
In-kind contributions	\$ 1,906,454	\$ -	\$ 1,906,454
Organizational contributions	93,691	-	93,691
Governmental support	99,985	-	99,985
Individual contributions	111,144	-	111,144
Fundraising contributions	68,964	-	68,964
Foundation grants	14,786	10,000	24,786
Other Income	17,825	-	17,825
Investment Income	10,782	-	10,782
Unrealized investment gain (loss)	13,573	-	13,573
TOTAL SUPPORT AND REVENUE	2,337,204	10,000	2,347,204
Temporarily restricted net assets released from restrictions-satisfied by payment	10,000	(10,000)	-
TOTAL SUPPORT AND REVENUE	2,347,204	-	2,347,204
EXPENSES			
Program services	2,114,023	-	2,114,023
Supporting Services		-	-
Management and general	104,782	-	104,782
Fundraising	114,151	-	114,151
TOTAL EXPENSES	2,332,956	-	2,332,956
CHANGE IN NET ASSETS	14,248	-	14,248
BEGINNING NET ASSETS	501,923	-	501,923
ENDING NET ASSETS	\$ 516,171	\$ -	\$ 516,171

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

HAYS COUNTY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Supporting Services				Total Expenses
	Program Services	Management and General	Fund Raising	Total Supporting Services	
Personnel expenses	\$ 119,949	\$ 64,159	\$ 94,843	\$ 159,002	\$ 278,951
Public relations and promotions	-	898	-	898	898
Audit and inspections	-	5,267	-	5,267	5,267
Board and staff expenses	-	1,831	-	1,831	1,831
Training	-	119	-	119	119
Copier expense	1,187	635	939	1,574	2,761
Depreciation	16,598	-	-	-	16,598
Donation	-	-	-	-	-
Memberships/subscriptions	-	1,882	-	1,882	1,882
Facilities/equipment maintenance	13,928	-	-	-	13,928
Food (including FEMA)	35,790	-	-	-	35,790
Food processing	8,480	-	-	-	8,480
Fundraising	-	-	9,421	9,421	9,421
In-kind expenses	1,906,454	-	-	-	1,906,454
Insurance	-	20,344	-	20,344	20,344
Janitorial	-	591	-	591	591
Postage	-	507	-	507	507
Office Supplies	-	2,496	-	2,496	2,496
Information Technology	3,481	1,862	2,752	4,614	8,095
Utilities/Telephone	4,782	2,558	3,781	6,339	11,121
Vehicle expenses/auto insurance	3,054	1,633	2,415	4,048	7,102
Volunteer appreciation	321	-	-	-	321
	\$ 2,114,023	\$ 104,782	\$ 114,151	\$ 218,933	\$ 2,332,956

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

HAYS COUNTY FOOD BANK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	14,248
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	16,598
Increase in accounts receivable	-
Increase in liabilities	5,980
Decrease in accounts payable	-
NET CASH USED BY OPERATING ACTIVITIES	<u>36,826</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in value on investment	<u>(24,140)</u>
NET CASH USED BY INVESTING ACTIVITIES	(24,140)
INCREASE IN CASH AND CASH EQUIVALENTS	12,686
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>197,521</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>210,207</u></u>

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

HAYS COUNTY FOOD BANK, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The goal of the Hays County Food Bank, Inc. (the Food Bank) is to alleviate hunger within Hays County, Texas. Since its incorporation in 1984, food has been collected from donations and supplemental purchases and then distributed to people through a network of fifty or more churches and other agencies. The completion of the new facility in October, 1996 enabled the Food Bank to significantly increase its amount of food distribution.

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not for profits. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Investments

Fair Value Measurements – The Food Bank reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Inputs that are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs that are unobservable for the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amount of cash and cash equivalents, receivables, accounts payables and accrued expenses approximates fair market value due to the short-term maturities of these accounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

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

The Food Bank's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2014 and 2013 are subject to examination by the IRS, generally for three years after they were filed. The tax year ending 2015 is still open to audit for both federal and state purposes.

Property and Equipment

The Food Bank capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over useful lives ranging from five to thirty years.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Temporarily Restricted Net Assets – Resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently Restricted Net Assets – Resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class, as is the organization's beneficial interest in a perpetual trust held by a bank trustee.

Unrestricted Net Assets - Resources that are not subject to donor-imposed stipulations.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets. Net losses on endowment investments reduce temporarily restricted net assets to the extent that net gains of the fund from prior years are unspent and classified there; remaining losses are classified as decreased in unrestricted net assets. If an endowment fund has no net gains from prior years, such as when a fund is newly established, net losses are classified as decreases in unrestricted net assets.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increase in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restriction. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Subsequent Events

Subsequent events were evaluated through March 8, 2018, which is the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Food Bank considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of December 31, 2017, the Food Bank's cash and cash equivalents totaled \$210,207, all of which was covered by FDIC.

NOTE C – PROPERTY AND EQUIPMENT

Fixed assets as of December 31, 2017 were as follows:

	Balance 12/31/16	Additions	Retirements	Balance 12/31/17
Depreciable Fixed Assets				
Building and Improvements	196,062	-		196,062
Vehicles	113,284	-		113,284
Furniture and Equipment	22,785			22,785
Less accumulated depreciation	(188,772)	-	(16,598)	(205,370)
Total Capital Assets	<u>\$ 143,359</u>	<u>\$ -</u>	<u>\$ (16,598)</u>	<u>\$ 126,761</u>

NOTE D – INVESTMENTS

Investments are recorded in accordance with ASC 958-320. All investments were valued using the market approach and inputs were considered Level 1 under the fair value hierarchy.

Investments as of December 31, 2017 are summarized as follows:

Cash and money market funds	\$ (150)
Mutual funds	115,254
Unit investment trusts	76,575
	<u>\$ 191,679</u>

Investment returns as of December 31, 2017 are summarized below:

Interest and dividends	\$ 10,567
Unrealized gain on investments	13,573
	<u>\$ 24,140</u>

NOTE E – GOVERNMENTAL SUPPORT

During 2017, the Food Bank received contributions from the following governmental agencies:

<u>Agency</u>	<u>Amount</u>
City of San Marcos	\$ 45,000
Hays County	41,250
City of Buda	2,500
	<u>\$ 88,750</u>

NOTE F – COMPENSATED ABSENCES

Personal Time Off (PTO) accrues to eligible employees at different rates based on length of employment. Full time employees (40 hours per week) cannot accumulate more than 240 hours of six weeks of PTO at any time. Upon termination of employment, accrued PTO will be paid at the hourly rate up to a maximum of 160 hours or four weeks. At year end the liability was \$1,098 for PTO and a payroll accrual for 5 days of \$4,883 for a total of \$5,981 for accrued employee benefits.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, temporarily restricted net assets are as follows:

Building Fund	\$	10,130
		-
	\$	<u>10,130</u>

NOTE H – DONATED GOODS AND SERVICES

In-kind contributions during 2017 consisted of the following:

Food Donations	
Community Donations	\$ 191,835
Central Texas Food Bank	1,207,442
Volunteer Hours	<u>507,177</u>
	<u>\$ 1,906,454</u>

Food donations received from HEB are actually due to a partnership with the Capital Area Food Bank and they manage the donor relationship for donated food. The change in how the accounts are maintained was updated in 2017 to accurately reflect the donations accepted through the Capital Area Food Bank.