

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Financial Statements and Compliance Reports

June 30, 2016 and 2015



NEWHOUSE & VOGLER
Certified Public Accountants

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

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Independent Auditor's Report

To the 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, 2016 and 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 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, 2016 and 2015, 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 March 20, 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.



Anchorage, Alaska
March 20, 2017

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current Assets:		
Unrestricted cash	\$ 662,166	747,033
Temporarily restricted cash	407,398	110,255
Receivables:		
Accounts, net of allowance of \$8,000 for 2016 and 2015	202,913	131,002
Grants	353,099	426,300
Pledges - current	50,031	45,004
Food inventory	1,476,079	1,284,558
Prepaid expenses	82,372	72,715
Total current assets	3,234,058	2,816,867
Non-current Assets:		
Pledges receivable - noncurrent	113,944	133,579
Property and equipment, net	1,784,715	1,415,786
Buildings held for sale	57,226	-
Investments	124,014	127,075
Total non-current assets	2,079,899	1,676,440
 Total assets	 \$ 5,313,957	 4,493,307
 <u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	\$ 123,733	191,526
Accrued salaries and taxes	84,568	66,855
Unearned revenue	117,391	18,880
Note payable, current	10,157	-
Total current liabilities	335,849	277,261
Noncurrent Liabilities:		
Note payable, noncurrent	107,536	-
Total liabilities	443,385	264,201
Net assets:		
Temporarily restricted	620,718	588,838
Unrestricted:		
Designated for:		
Inventory	1,476,079	1,284,558
Property and equipment	1,784,715	1,415,786
Endowment	124,014	127,075
Undesignated	865,046	799,789
Total unrestricted net assets	4,249,854	3,627,208
 Total net assets	 4,870,572	 4,216,046
 Total liabilities and net assets	 \$ 5,313,957	 4,493,307

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Statements of Activities**Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets from cash operating activities:		
Support (including \$697,856 and \$533,705, respectively, in assets released from temporary restrictions. See Note I):		
Individuals	\$ 1,258,528	1,292,060
Foundations	309,430	308,497
Businesses	755,803	616,401
Government:		
Federal	975,558	872,688
State	10,000	12,410
Other	68,576	82,485
Total Government	<u>1,054,134</u>	<u>967,583</u>
Total support	3,377,895	3,184,541
Revenue:		
Fees and services	804,316	752,134
Membership income	6,700	7,500
Other income	8,802	2,348
Total revenue	<u>819,818</u>	<u>761,982</u>
Total revenue and support	<u>4,197,713</u>	<u>3,946,523</u>
Expenses:		
Food and freight	1,687,762	1,465,918
Personnel	1,609,741	1,497,480
Occupancy and other	884,939	726,344
Total expense	<u>4,182,442</u>	<u>3,689,741</u>
Changes in unrestricted net assets from cash operating activities	<u>\$ 15,271</u>	<u>256,782</u>

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Statements of Activities, continued

	2016	2015
Changes in unrestricted net assets from non-cash and non-operating activities:		
From non-cash activities:		
Depreciation	\$ (164,075)	(181,135)
From in-kind:		
Donated food		
Federal	3,072,867	2,545,318
Other	7,926,788	9,017,985
Distributed food and freight		
Federal	(2,942,301)	(2,555,050)
Other	(7,699,411)	(9,046,284)
In-kind freight	(332,233)	(309,432)
In-kind freight	332,233	309,432
In-kind other goods and services	-	5,242
Other in-kind expenses	-	(5,242)
Total non-cash activities	193,868	(219,166)
From non-operating activities:		
Investment (expense) income, net	(1,486)	(1,112)
Interest income	1,922	1,016
Interest expense	(4,891)	(230)
In-kind donations of capital items	57,226	-
Grants released for capital purposes	335,118	189,186
Proceeds from gaming	25,618	30,989
Total non-operating activities	413,507	219,849
Changes in unrestricted net assets from non-cash and non-operating activities	607,375	683
Changes in unrestricted net assets	622,646	257,465
Changes in temporarily restricted net assets:		
Gifts and contributions	351,784	577,823
Grants received for capital purposes:		
Foundation	90,000	54,200
Federal	274,400	-
State	13,552	127,152
Net assets released from restrictions	(697,856)	(533,705)
Changes in temporarily restricted net assets	31,880	225,470
Change in net assets	654,526	482,935
Net assets, beginning of year	4,216,046	3,733,111
Net assets, end of year	\$ 4,870,572	4,216,046

See accompanying notes to financial statements

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

*Statements of Cash Flows**Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities:		
Change in net assets	\$ 654,526	482,935
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	164,075	181,135
Capitalized in-kind contributions	(57,226)	-
Unrealized and realized loss (gain) on investments	3,661	3,330
(Increases) decreases in assets:		
Accounts receivable	(71,911)	25,474
Grants receivable	73,201	(309,885)
Food inventory	(191,521)	1,828
Pledges receivable	14,608	(75,398)
Prepaid expenses	(9,657)	(53,148)
Increases (decreases) in liabilities:		
Accounts payable	(67,793)	65,452
Accrued salaries and taxes	17,713	9,044
Unearned revenue	98,511	(26,724)
Net cash provided by operating activities	<u>628,187</u>	<u>304,043</u>
Cash flow from investing activities:		
Purchase of investments	(600)	(1,225)
Purchases of fixed assets	(408,004)	(239,103)
Net cash used by investing activities	<u>(408,604)</u>	<u>(240,328)</u>
Cash flow from financing activities:		
Proceeds from issuance of debt	-	64,550
Principal payments on debt	(7,307)	(64,550)
Net cash used by financing activities	<u>(7,307)</u>	<u>-</u>
Net increase in cash	212,276	63,715
Cash, beginning of year	<u>857,288</u>	<u>793,573</u>
Cash, end of year	<u>\$ 1,069,564</u>	<u>857,288</u>
Cash at end of year:		
Unrestricted cash	\$ 662,166	747,033
Temporarily restricted cash	407,398	110,255
	<u>\$ 1,069,564</u>	<u>857,288</u>
Supplemental information:		
Cash paid for interest	<u>\$ 4,891</u>	<u>230</u>
Noncash capital financing:		
Loan proceeds paid directly to title agency	<u>\$ 125,000</u>	<u>-</u>

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

*Statement of Functional Expenses**Year Ended June 30, 2015*

Expense	Program Services	Supporting Activities			Total Program and Support Services
		Administration	Fundraising	Total	
Cash expenses:					
Salaries and benefits	\$ 1,062,140	334,059	101,281	435,339	1,497,480
Purchased food	1,032,069	-	-	-	1,032,069
Purchased freight	433,848	-	-	-	433,848
Professional fees/outside services	73,260	53,032	28,675	81,707	154,967
Operations and maintenance	176,761	5,501	1,220	6,721	183,481
Utilities and phone	95,661	5,149	17	5,166	100,827
Printing	6,551	7,394	20,809	28,203	34,753
Grants to other organizations	38,638	-	-	-	38,638
Dues and subscriptions	2,834	7,381	750	8,131	10,965
Travel and meetings	60,889	10,686	808	11,494	72,383
Supplies	30,650	6,711	13,370	20,081	50,732
Postage	3,560	4,336	60,338	64,674	68,234
Interest expense	-	230	-	230	230
Other	1,649	3,815	5,899	9,714	11,363
<i>Total cash expenses</i>	<u>3,018,511</u>	<u>438,293</u>	<u>233,167</u>	<u>671,460</u>	<u>3,689,971</u>
Non-cash expenses:					
Depreciation	172,078	3,623	5,434	9,057	181,135
In-kind:					
Distribution of donated food	11,601,334	-	-	-	11,601,334
In-kind freight	309,432	-	-	-	309,432
In-kind goods and services	5,242	-	-	-	5,242
<i>Total non-cash expenses</i>	<u>12,088,086</u>	<u>3,623</u>	<u>5,434</u>	<u>9,057</u>	<u>12,097,143</u>
<i>Total expenses</i>	<u>\$ 15,106,597</u>	<u>441,916</u>	<u>238,601</u>	<u>680,517</u>	<u>15,787,114</u>

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements

June 30, 2016 and 2015

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 2016 and 2015, 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 2016 and 2015 were \$1.70 and \$1.72 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, 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>

Cash and cash equivalent balances are comprised of the following amounts at June 30, 2015:

	Book Balance	Bank Balance
Checking	\$ 223,330	229,338
Savings and money market	633,708	633,708
Petty Cash	250	-
	<u>\$ 857,288</u>	<u>863,046</u>

The Federal Deposit Insurance Corporation (FDIC) insures accounts held in one bank to a maximum of \$250,000. Uncollateralized and uninsured balances at June 30, 2016 and 2015 were \$704,165 and \$363,046, respectively.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE C – PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2016 was \$163,975 due in varying amounts from several individuals. Pledges receivable as of June 30, 2015 was \$178,583 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, 2016 and 2015, FBA received 6,470,385 and 6,722,851 pounds of donated food and other commodities, respectively. Using a valuation rate provided by Feeding America of \$1.70 and \$1.72 per pound for fiscal years 2016 and 2015, respectively, the donated food is valued at \$10,999,655 and \$11,563,303 in the accompanying Statements of Activities.

Donated food inventory at June 30, 2016 and 2015 totaled 712,417 and 643,036 pounds, respectively. Applying the same valuation rates, and taking into account the actual cost of purchased food, the ending inventory is valued at \$1,476,079 and \$1,284,558 as of June 30, 2016 and 2015, 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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 127,075	129,180
Contributions	600	1,225
Interest earned	2,422	3,658
Investment fees	(2,176)	(2,218)
Realized and unrealized gains, net	<u>(3,907)</u>	<u>(4,770)</u>
Balance, end of year	<u>\$ 124,014</u>	<u>127,075</u>

Investment income and (losses) gains, net of investment fees, for June 30, 2016 and 2015 totaled \$(3,661) and \$(3,330) 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, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Physical plant:				
Land	\$ 370,709	172,388	-	543,097
Buildings - warehouse	1,303,630	288,769	(5,445)	1,586,954
Refrigeration - warehouse	<u>259,697</u>	<u>5,665</u>	<u>-</u>	<u>265,362</u>
<i>Total physical plant</i>	1,934,036	466,822	(5,445)	2,395,413
Equipment:				
Vehicles and trailers	606,444	12,435	-	618,879
Warehouse equipment	286,379	38,068	(4,000)	320,447
Office equipment	<u>225,942</u>	<u>15,679</u>	<u>(87,359)</u>	<u>154,262</u>
<i>Total equipment</i>	<u>1,118,765</u>	<u>66,182</u>	<u>(91,359)</u>	<u>1,093,588</u>
<i>Total capital assets</i>	3,052,801	533,004	(96,804)	3,489,001
<i>Less accumulated depreciation</i>	<u>(1,637,015)</u>	<u>(164,075)</u>	<u>96,804</u>	<u>(1,704,286)</u>
Capital assets, net	<u>\$ 1,415,786</u>	<u>368,929</u>	<u>-</u>	<u>1,784,715</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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</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.	\$ 117,693	-
Current portion	<u>(10,157)</u>	<u>-</u>
Total long-term debt excluding current portion	<u>\$ 107,536</u>	<u>-</u>

Future minimum payments on note payable are as follows:

Year ended June 30,		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	10,157	6,106	16,263
2018		10,719	5,544	16,263
2019		11,313	4,950	16,263
2020		11,939	4,324	16,263
2021		12,600	3,663	16,263
2022-2026		<u>60,965</u>	<u>7,308</u>	<u>68,273</u>
	\$	<u>117,693</u>	<u>31,895</u>	<u>149,588</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>2016</u>	<u>2015</u>
United Way, subsequent year's funding	\$ 35,626	47,500
Ford - Kids' Meals	20,000	20,000
Ford - Child Hunger	20,000	-
GCI Blessing	7,500	-
R&D Block Foundation - Blessing	-	2,500
AK Community Foundation - Wildfire relief	-	2,500
WalMart - SNAP Innovation	90,526	150,000
Feeding America - Advocacy Capacity/Innovation	51,156	100,000
Feeding America - Safeway Food Initiative	92,000	7,001
Feeding America - Costco	758	-
Knowledge Needs Nutrition (KNN) - Ford	6,149	30,905
KNN - Beth Sholom Congregation	156	2,683
FNBA Virtual Food Drive	5,000	-
Mazon	30,000	-
Red Nose Day	4,483	-
Mobile Food Pantry program	2,264	-
SOA-DNR Child Nutrition	1,125	-
Capital - Website revamp and Lift Truck	-	2,662
Capital - Walmart - Warehouse equipment and security	50,000	-
Capital - Mat-Su Health Foundation CERES4	15,000	-
Capital - Rasmuson CERES4	25,000	-
Capital - WalMart - Agency Room Racking and Equipment	-	24,826
Capital - Rasmuson - Carpeting & Pallet Jacks	-	19,678
Individual pledges	<u>163,975</u>	<u>178,583</u>
<i>Total temporarily restricted assets</i>	<u>\$ 620,718</u>	<u>588,838</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>2016</u>	<u>2015</u>
United Way Grants, subsequent year's funding	\$ 47,500	50,000
Knowledge Needs Nutrition (KNN) - Ford	24,756	9,094
KNN - Walmart	-	1,261
KNN - Beth Sholom Congregation	2,527	1,317
Blessing program	33,500	47,403
Mat-Su Health Foundation Blessing program	15,000	15,000
Feeding America - Safeway Food Initiative	7,001	3,999
Feeding America - Costco	20,075	-
S.L. Gimbel Foundation - GIFT	10,000	10,000
Alaska Airlines - GIFT	1,000	1,000
Enstar - GIFT	5,000	-
Alaska Community Foundation - Wildfire Relief	2,500	-
MEA Charitable Foundation	-	2,500
Mazon	-	22,000
Feeding America - Advocacy capacity	48,844	-
Donations from food drives	-	64,177
Red Nose Day	5,517	-
Langston Family Foundation	3,000	-
Mobile Food Pantry program	2,736	5,000
Waste Not, Want Not program	15,000	20,000
SNAP expansion program	-	49,190
SNAP innovation program	59,474	-
Photovoice project	-	556
MDU Resources Foundation	6,000	6,000
Capital - Vehicle replacement plan	13,552	115,744
Capital - Mat-Su expansion	274,400	-
Capital - Website revamp and Lift Truck	2,662	27,338
Capital - Agency and sort room remodel	-	25,000
Capital - SOA facilities grant	-	11,408
Capital - WalMart - Agency Room Racking and Equipment	24,826	4,374
Capital - Rasmuson - Carpeting & Pallet Jacks	19,678	5,322
Pledges from individuals	<u>53,308</u>	<u>36,022</u>
<i>Total restricted net assets released</i>	<u>\$ 697,856</u>	<u>533,705</u>

FOOD BANK OF ALASKA, INC.
Anchorage, Alaska

Notes to Financial Statements, continued

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, 2015	Received in FY16	Released to Unrestricted in FY16	Balance at June 30, 2016	Temp. Restricted Released in FY16	Unrestricted Grants and Support Received in FY16	Total Unrestricted Grants and Support for FY16
For Operating							
Individuals	\$ 178,583	38,700	53,308	163,975	53,308	-	53,308
Private sources	363,089	311,959	309,430	365,618	309,430	-	309,430
Government	-	1,125	-	1,125	-	-	-
Total for Operating	<u>541,672</u>	<u>351,784</u>	<u>362,738</u>	<u>530,718</u>	<u>362,738</u>	<u>-</u>	<u>362,738</u>
For Capital							
Private sources	47,166	90,000	47,166	90,000	47,166	-	47,166
State government	-	13,552	13,552	-	13,552	-	13,552
Federal government	-	274,400	274,400	-	274,400	-	274,400
Total for Capital	<u>47,166</u>	<u>377,952</u>	<u>335,118</u>	<u>90,000</u>	<u>335,118</u>	<u>-</u>	<u>335,118</u>
Total	<u>\$ 588,838</u>	<u>729,736</u>	<u>697,856</u>	<u>620,718</u>	<u>697,856</u>	<u>-</u>	<u>697,856</u>

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Financial Statements, continued

NOTE K – FUNDRAISING AND SPECIAL EVENTS

Fundraising and special events activity is summarized as follows for each fiscal year:

	<u>2016</u>	<u>2015</u>
Appeals and events gross proceeds	\$ 1,669,207	1,600,706
Direct expenses	<u>(196,434)</u>	<u>(172,489)</u>
	<u>\$ 1,472,773</u>	<u>1,428,217</u>

The above appeals and events gross proceeds are included in Individuals and Corporations support, and direct 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, 2016 and 2015, totaled \$15,049 and \$19,282, 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 March 20, 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, 2016

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)	604-258-1601	10.561	\$ 125,738	115,418
CSFP* (passed through State of Alaska Department of Health and Social Services)	604-262-1602	10.565	105,105	105,105
CACFP (passed through State of Alaska Department of Education and Early Development)	MA523	10.558	77,137	77,137
SFSP (passed through State of Alaska Department of Food and Nutrition Services)	Unknown	10.559	432,446	432,446
TEFAP* (passed through State of Alaska Department of Education and Early Development)	TE 16.289.02	10.568	<u>167,419</u>	<u>133,258</u>
<i>Total USDA: Cash Assistance</i>			<u>907,845</u>	<u>863,364</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	926,415	926,415
FDPIR (passed through Alaska Native Tribal Health Consortium) - Food Commodity	Unknown	10.567	464,724	464,724
TEFAP* (passed through State of Alaska Department of Education and Early Development) - Food Commodity	Unknown	10.569	<u>1,681,728</u>	<u>1,681,728</u>
<i>Total USDA: Non-Cash Assistance</i>			<u>3,072,867</u>	<u>3,072,867</u>
<i>Total USDA: Cash and Non-Cash Assistance</i>			<u>3,980,712</u>	<u>3,936,231</u>
U.S. Department of Housing and Urban Development: HUD	B-08-SP-AK-0600	14.251	<u>274,400</u>	<u>274,400</u>
U.S. Department of Health and Human Services (DHHS): Alaska Food Coalition (passed through State of Alaska Department of Health and Social Services)	604-258-1601	93.558	60,000	53,853
Alaska Food Coalition (passed through State of Alaska Department of Health and Social Services)	604-258-1601	93.667	<u>65,000</u>	<u>58,341</u>
			<u>125,000</u>	<u>112,194</u>
U.S. Department of Homeland Security: Emergency Food & Shelter	Phase 32	97.024	<u>22,444</u>	<u>11,222</u>
			<u>\$ 4,402,556</u>	<u>4,334,047</u>

*Denotes a major program.

This schedule was prepared on the accrual accounting basis.

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

Notes to Schedule of Expenditures of Federal Awards

June 30, 2016 and 2015

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, 2016. 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 position, 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, 2016 and 2015, 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 March 20, 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", is written in a cursive style.

Anchorage, Alaska
March 20, 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, 2016. 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, 2016.

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". The signature is written in a cursive style with a large initial 'N' and 'V'.

Anchorage, Alaska
March 20, 2017

FOOD BANK OF ALASKA, INC.

Anchorage, Alaska

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

Year Ended June 30, 2016

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, 2016

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