



Financial Statements  
April 30, 2016

**Idaho Foodbank Warehouse, Inc.**

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## Independent Auditor's Report

To the Board of Directors  
Idaho Foodbank Warehouse, Inc.  
Boise, Idaho

### Report on the Financial Statements

We have audited the accompanying financial statements of Idaho Foodbank Warehouse, Inc. (the Organization), an Idaho nonprofit organization, which comprise the statement of financial position as of April 30, 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 Organization'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 Organization'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 Idaho Foodbank Warehouse, Inc. as of April 30, 2016, 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.

## **Restatement and Reissuance**

As discussed in Note 10, subsequent to the issuance of the Company's 2016 financial statements and our report thereon dated September 1, 2016, we became aware that those financial statements contained an error in the classification of monetary and in-kind unrestricted expenses. In our original report we expressed an unmodified opinion on the 2016 financial statements, and our opinion on the revised statements, as expressed herein, remains unmodified.

## **Other Matters**

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the audit requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 1, 2016 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Fund's internal control over financial reporting and compliance



Boise, Idaho

September 1, 2016, except for the Statement of Activities and Note 10, for which the date is December 1, 2016

Idaho Foodbank Warehouse, Inc.  
Statement of Financial Position  
April 30, 2016

Assets	
Current Assets	
Cash and cash equivalents	\$ 3,995,344
Investments	2,257,515
Accounts receivable	44,610
Promises to give, net	321,314
Food inventory	1,449,982
Prepaid expenses and other assets	77,235
Total current assets	8,146,000
Property and Equipment	
Land and land improvements	694,754
Buildings and leasehold improvements	2,773,049
Construction in progress	1,111,976
Furniture, fixtures and equipment	571,634
Vehicles	1,083,068
Total property and equipment	6,234,481
Accumulated depreciation	(2,017,697)
Total property and equipment	4,216,784
Promises to give - long-term, net	625,548
	\$ 12,988,332
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 543,953
Current portion of capital leases	7,177
Accrued expenses and compensated absences	226,192
Total current liabilities	777,322
Long-Term Liabilities	
Long-term debt	60,803
Capital leases - long-term portion	25,845
Total long-term liabilities	86,648
Total liabilities	863,970
Net Assets	
Unrestricted	
Board designated endowment fund	454,389
Undesignated	7,757,698
Temporarily restricted	3,912,275
Total net assets	12,124,362
	\$ 12,988,332

Idaho Foodbank Warehouse, Inc.  
Statement of Activities  
Year ended April 30, 2016

	Unrestricted	Temporarily Restricted			Total
		Contributed Food	Other	Total	
<b>Monetary Transactions</b>					
Revenues and Support					
Contributions	\$ 2,717,034	\$ -	\$ 2,618,969	\$ 2,618,969	\$ 5,336,003
Federal/State Grants	-	-	350,759	350,759	350,759
Program services	378,274	-	-	-	378,274
Special events	658,514	-	97,717	97,717	756,231
Investment earnings	53,076	-	-	-	53,076
Investment realized and unrealized loss	(128,057)	-	-	-	(128,057)
Gain on sale of assets	2,600	-	-	-	2,600
Other sources	5,909	-	-	-	5,909
<b>Total revenues and support</b>	<b>3,687,350</b>	<b>-</b>	<b>3,067,445</b>	<b>3,067,445</b>	<b>6,754,795</b>
Net Assets Released from Restriction					
Program restriction	2,355,393	-	(2,355,393)	(2,355,393)	-
<b>Total Monetary Revenues, Support and Release of Restrictions</b>	<b>6,042,743</b>	<b>-</b>	<b>712,052</b>	<b>712,052</b>	<b>6,754,795</b>
Expenses					
Administration	532,998	-	-	-	532,998
Fundraising as restated	1,116,691	-	-	-	1,116,691
Program as restated	4,334,555	-	-	-	4,334,555
<b>Total expenditures as restated</b>	<b>5,984,244</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,984,244</b>
Change in Monetary Net Assets as restated	58,499	-	712,052	712,052	770,551
<b>In-Kind Transactions</b>					
Revenues and Support					
Contributions - In-kind	598,727	-	77,493	77,493	676,220
Food contributions	-	26,796,550	-	26,796,550	26,796,550
<b>Total revenues and support</b>	<b>598,727</b>	<b>26,796,550</b>	<b>77,493</b>	<b>26,874,043</b>	<b>27,472,770</b>
Net Assets Released from Restriction					
In-Kind	26,668,530	(26,621,669)	(46,861)	(26,668,530)	-
<b>Total In-Kind Revenues, Support and Release of Restrictions</b>	<b>27,267,257</b>	<b>174,881</b>	<b>30,632</b>	<b>205,513</b>	<b>27,472,770</b>
Expenses					
Administration	59,732	-	-	-	59,732
Fundraising as restated	92,582	-	-	-	92,582
Program as restated	27,036,126	-	-	-	27,036,126
<b>Total expenditures as restated</b>	<b>27,188,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,188,440</b>
Change in In-kind Net Assets as restated	78,817	174,881	30,632	205,513	284,330
<b>Total Change in Net Assets</b>	<b>137,316</b>	<b>174,881</b>	<b>742,684</b>	<b>917,565</b>	<b>1,054,881</b>
Net Assets, Beginning of Year	8,074,771	1,134,563	1,860,147	2,994,710	11,069,481
Net Assets, End of Year	\$ 8,212,087	\$ 1,309,444	\$ 2,602,831	\$ 3,912,275	\$ 12,124,362

Idaho Foodbank Warehouse, Inc.  
Statement of Functional Expenses  
Year Ended April 30, 2016

	<u>Administration</u>	<u>Fundraising</u>	<u>Program</u>	<u>Total All Funds</u>
Food purchased and distributed	\$ -	\$ -	\$ 27,901,821	\$ 27,901,821
Salary and fringe benefits	466,734	545,788	1,925,251	2,937,773
Professional fees	28,833	81,152	203,631	313,616
Direct mail costs	-	379,021	-	379,021
Supplies	12,096	139,651	452,441	604,188
Depreciation and amortization	2,546	965	220,703	224,214
Vehicle and equipment maintenance	848	680	259,470	260,998
Occupancy	4,080	4,532	179,674	188,286
Other operating expenses	69,275	50,871	91,963	212,109
Grant and contract expenses	-	-	99,560	99,560
Travel and training	8,318	6,613	36,167	51,098
<b>Total expenses</b>	<u><u>\$ 592,730</u></u>	<u><u>\$ 1,209,273</u></u>	<u><u>\$ 31,370,681</u></u>	<u><u>\$ 33,172,684</u></u>

Idaho Foodbank Warehouse, Inc.  
Statement of Cash Flows  
Year Ended April 30, 2016

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Operating Activities	
Change in net assets	\$ 1,054,881
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation and amortization	224,214
Contributed food distributed	26,621,669
Contributed food	(26,796,550)
Gain on disposal of equipment	(2,600)
Unrealized loss on investments	127,910
Contributed investments	(43,171)
Contributed property and equipment	(62,894)
Contributions received, restricted for long-term purposes	(580,113)
Change in assets and liabilities	
Accounts receivable	(11,083)
Promised to give, net	95,121
Purchased food inventory	51,198
Prepaid expenses and other assets	(1,860)
Accounts payable	(79,979)
Accrued expenses	3,955
	<hr/>
Net Cash from Operating Activities	<u>600,698</u>
Investing Activities	
Proceeds from the sale of fixed assets	2,600
Purchase of property and equipment	(952,543)
Contributions received for long term purposes	580,113
Sale of investments	244,361
Purchase of investments	(178,120)
	<hr/>
Net Cash used for Investing Activities	<u>(303,589)</u>



Idaho Foodbank Warehouse, Inc.  
Statement of Cash Flows  
Year Ended April 30, 2016

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Financing Activity	
Principal payments on capital leases	<u>(6,137)</u>
Net Cash used for Financing Activities	<u>(6,137)</u>
Net Change in Cash and Cash Equivalents	290,972
Cash and Cash Equivalents, Beginning of Year	<u>3,704,372</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,995,344</u></u>
Supplemental Disclosure of Cash Flow Information	
Interest paid	\$ 1,192
Non-cash Investing and Financing Activities	
Accounts payable for construction in progress	\$ 470,654
Equipment acquired through capital lease	\$ 22,517

## **Note 1 - Principal Business Activity and Significant Accounting Policies**

### **Activity**

The Idaho Foodbank Warehouse, Inc. (the Organization) is organized and operated to work in partnership with the food industry and various organizations, to feed the hungry throughout the State of Idaho.

### **Basis of Accounting**

The net assets of the Organization are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Board designated endowment fund net assets – Net assets that the Board of Directors has designated to function as an endowment. The Board can authorize the use of these amounts at their discretion.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of Idaho Foodbank Warehouse, Inc. and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Idaho Foodbank Warehouse, Inc. Generally, the donors of these assets permit Idaho Foodbank Warehouse, Inc. to use all or part of the income earned on related investments for general or specific purposes. Idaho Foodbank Warehouse, Inc. had no permanently restricted net assets at April 30, 2016.

Idaho Foodbank Warehouse, Inc. is a Voluntary Health and Welfare Organization and accordingly is required to present a statement of functional expenses. The objective of the statement is to disclose the allocation of natural expenses (salaries, rent, supplies, etc.) to the various programs administered by the Voluntary Health and Welfare Organization.

### **Estimates**

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

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities. Investment purchases are recorded at cost, or if donated, at fair value at the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Investment realized and unrealized gains and losses are reported in the statement of activities and consists of, realized and unrealized capital gains and losses, less investment management and custodial fees. Investment earnings are reported in the statement of activities and consists of interest and dividend income.

**Property and Equipment**

Property and equipment acquired with a value over \$5,000 are capitalized and stated at cost or fair market value at time of purchase or donation and are being depreciated using the straight-line method of depreciation over the estimated useful lives as shown in the table below.

	<u>Life in years</u>
Building and leasehold improvements	3-39
Furniture, fixtures and equipment	3-10
Vehicles	7

**Receivables**

Receivables represent amounts due from various agencies and organizations for payment of handling fees. All amounts are current and no provision for doubtful accounts is considered necessary. Purchased food and other products are generally distributed at a nominal handling fee per pound, which generates handling fee revenue and accounts receivable.

Promises to give expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At April 30, 2016, the allowance was \$2,221.

### **Food Inventory**

Donated food inventory consists of donated food and other products that are valued at an average donated value per pound as determined by Feeding America. Donated food and other products on hand at April 30, 2016 totaled 784,098 pounds and the average wholesale value was \$1.67 per pound, totaling \$1,309,444.

The Organization values its donated food inventory and cost of donated food received and distributed using the price per pound provided by Feeding America as stated in the most recently completed *Product Valuation Survey, Agreed-Upon Procedures* and a communication from KPMG, LLP for the calendar year ended December 31, 2015. The *Product Valuation Survey* is updated annually by Feeding America.

Purchased food inventory consists of food purchased by the Idaho Foodbank Warehouse, Inc. and is valued at actual cost. At April 30, 2016, purchased food inventory totaled 234,875 pounds with a value of \$140,079 and \$459 in milk vouchers.

### **Contributed Support**

Idaho Foodbank Warehouse, Inc. recognizes all contributed support received as income in the period pledged or received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Idaho Foodbank Warehouse, Inc. records various types of in-kind support including contributed property and equipment, professional services and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The total amount contributed related to professional services, use of facilities, gift cards and all other in-kind contributions as of April 30, 2016 are \$80,127, \$9,006, \$7,901 and \$579,186, respectively.

Additionally, Idaho Foodbank Warehouse, Inc. receives a significant amount of contributed time which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

### **Advertising Costs**

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended April 30, 2016 was \$12,333.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Donated and In-Kind Services**

Contributed services and goods were received by the Organization and have been reflected as in-kind contributions and corresponding expenses. Cash donations, purchased goods and services are reflected as monetary contributions and corresponding expenses on the accompanying statement of activities in accordance with current accounting standards.

### **Income Taxes**

The Organization has obtained approval from the Internal Revenue Service to operate as a non-profit 501(c)(3) organization, not subject to federal or state income taxes. Therefore, no provision for income taxes has been made in these financial statements.

The Organization has adopted the provisions of FASB ASC Topic 740. As of April 30, 2016, the unrecognized tax benefit accrual was zero. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

### **Concentrations of Credit Risk**

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the mission. Investments are made by diversified investment managers whose performance is monitored by us and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### **Fair Value Measurements**

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of FASC ASC 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under generally accepted accounting principles.

FASC ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASC ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASC ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of 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 are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs related to the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

### **Subsequent Events**

The Organization has evaluated subsequent events through September 1, 2016, the date which the financial statements were issued.

### **Note 2 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for future operations for the following contributions:

Food and other products for distribution	\$ 1,309,444
Restricted programs	2,498,293
Time restrictions	<u>104,538</u>
Total temporarily restricted net assets	<u><u>\$ 3,912,275</u></u>

During the year ended April 30, 2016, net assets released from the expiration of time restrictions, the satisfaction of purpose restrictions, and food distributions were \$261,900, \$2,140,354 and \$26,621,669, respectively

### **Note 3 - Defined Contribution Plan**

Idaho Foodbank Warehouse, Inc. sponsors a 401(k) plan for employees, a defined contribution plan to which it will match employee contributions dollar for dollar up to the maximum of 4.5% of the employee's gross salary figured on a monthly basis. The employee must complete one year of employment from date of hire before eligibility and before the matching contribution is available. Eligible employees include part-time employees as well as full-time employees once a minimum hour requirement of 1,000 hours is met and the employee has worked for the Organization for one full year. Under the 401(k) plan, the employer will match employee contributions 100% up to 4.5% of the employee's gross salary. The total employer matching for the year ended April 30, 2016 was \$47,500.

**Note 4 - Promises to Give**

Unconditional promises to give are estimated to be collected as follows at April 30, 2016:

Within one year	\$ 323,535
One to 5 years	688,466
	1,012,001
Less discount to net present value at a 3.5% rate	(62,918)
Less allowance for uncollectible promises to give	(2,221)
	\$ 946,862

At April 30, 2016, one donor accounted for 67% of total promises to give. Two additional contributors accounted for approximately 16% of total contribution revenue for the year ended April 30, 2016.

As of April 30, 2016, \$19,634 pledge receivable was due from board members and management. Board member contributions accounted for approximately \$19,340 of contribution revenue for the year ended April 30, 2016.

**Note 5 - Long-Term Debt**

Long-term debt at April 30 consists of the following:

Three notes payable to the City of Pocatello due in full upon sale of the Pocatello warehouse. The interest rate is 0% and the notes are secured by a deed of trust on the Pocatello Warehouse.	\$ 60,803
Less current portion	-
	\$ 60,803

As of April 30, 2016, the Organization has no intention to sell the building.

In the current year Idaho Foodbank Warehouse, Inc. opened a \$3,000,000 line of credit with Bank of the Cascades. As of April 30, 2016 zero funds have been utilized. The balance of the line is due March 10, 2021.

**Note 6 - Lease Commitment**

The Organization has two capital leases for certain office equipment. The lease expirations range from November 2017 to October 2021 with annual payments ranging from \$8,679 to \$4,080. At April 30, 2016, the minimum lease payments due under these capital leases are as follows:

Year ended April 30,	
2017	\$ 8,679
2018	8,679
2019	8,996
2020	6,454
2021	<u>4,080</u>
 Total minimum lease payments	 36,888
 Less amount representing interest	 <u>(3,866)</u>
 Present value of minimum lease payments	 33,022
Less current portion	<u>(7,177)</u>
 Long-term portion	 <u><u>\$ 25,845</u></u>

The capitalized cost of the assets under the capital leases is \$39,427 with accumulated amortization of \$6,118 as of April 30, 2016.

The operating lease for building and warehouse space ended on December 31, 2011. Since that time the Organization has been subject to a month to month rental agreement for which monthly payments of \$2,275 become due and payable on the first day of each month.

The Organization has an office space lease in Boise ending in December 2016. Monthly payments are \$1,431.



**Note 7 - Fair Value of Assets and Liabilities**

The related fair values of these assets and liabilities are determined as follows:

April 30, 2016	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments, at fair value			
Taxable fixed income bonds	\$ -	\$ 691,272	\$ -
Mutual funds			
Commodity funds	38,689	-	-
Emerging markets	182,193	-	-
Large cap stock funds	221,072	-	-
Mid cap funds	131,741	-	-
Small cap funds	88,153	-	-
International funds	336,233	-	-
Growth stock funds	147,912	-	-
Equity income funds	151,867	-	-
Hedged equity funds	132,016	-	-
Real estate funds	136,367	-	-
Total assets	<u>\$ 1,566,243</u>	<u>\$ 691,272</u>	<u>\$ -</u>

**Note 8 - Endowment**

The Idaho Foodbank Warehouse, Inc.'s endowment consists of one fund established for board designated purposes. The endowment includes funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of the Idaho Foodbank Warehouse, Inc. has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The composition of endowment net assets by fund type as of April 30, 2016 is as follows:

	Unrestricted
Board designated endowment funds	\$ 454,389
	\$ 454,389

Changes in endowment net assets for the year ended April 30, 2016 are as follows:

	Unrestricted
Endowment net assets, beginning of the year	\$ 434,793
Investment return	
Investment income	11,472
Net realized and unrealized appreciation	8,124
Endowment net assets, end of the year	\$ 454,389

As of April 30, 2016, there were no temporarily restricted or permanently restricted balances or transactions related to the endowment.

### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA required the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no deficiencies of this nature that are reported in unrestricted net assets as of April 30, 2016.

### **Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that obtains a maximum return consistent with a prudent investment style to reduce risk of both principal and income.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that includes both fixed-income and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy that no distributions of the corpus are to be made unless a declaration of a state of emergency is made and two-thirds of the Board of Directors votes positively to use the funds to address the emergency. Annual income from the funds may be applied as determined by the Organization. Any unspent income becomes part of the corpus.

### **Note 9 - Commitments**

In 2015, the Organization entered into an agreement with a construction contractor related to the construction of a facility on land that was purchased during the year in Lewiston, Idaho. The total value of the contract is \$2,497,975 and the uncompleted contract balance as of April 30, 2016 is \$1,385,999.

**Note 10 - Restatement and Reissuance of Report**

Subsequent to the issuance of the Organization’s 2016 financial statements, as a result of updated Organization allocation schedules, an error in the classification of monetary and in-kind unrestricted expenses was discovered.

The Organization reissued its previously issued financial statements to appropriately reflect the April 30, 2016 monetary expenses, in-kind expenses, total expenditures, change in monetary net assets, and change in in-kind net assets.

The following is a summary of the effects of the restatement in the Organization’s April 30, 2016 Statement of Activities:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
As of April 30, 2016			
Monetary Expenses			
Administration	\$ 532,998	-	\$ 532,998
Fundraising	1,135,900	(19,209)	1,116,691
Program	<u>3,468,860</u>	<u>865,695</u>	<u>4,334,555</u>
Total Expenditures	<u>5,137,758</u>	<u>846,486</u>	<u>5,984,244</u>
Change in Monetary Net Assets	\$ 904,985	\$ (846,486)	\$ 58,499
In-Kind Expenses			
Administration	\$ 59,732	\$ -	\$ 59,732
Fundraising	73,373	19,209	92,582
Program	<u>27,901,821</u>	<u>(865,695)</u>	<u>27,036,126</u>
Total Expenditures	<u>28,034,926</u>	<u>(846,486)</u>	<u>27,188,440</u>
Change in In-Kind Net Assets	\$ (767,669)	\$ 846,486	\$ 78,817



Supplementary information  
April 30, 2016

**Idaho Foodbank Warehouse, Inc.**



**Independent Auditor's 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**

The Board of Directors  
Idaho Foodbank Warehouse, Inc.  
Boise, Idaho

We have audited, in accordance with the 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 Idaho Foodbank Warehouse, Inc. (the Organization), which comprise the statement of financial position as of April 30, 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, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated September 1, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See finding 2016-A and 2016-B.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Idaho Foodbank Warehouse, Inc.'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*.

**Organization's Response to Findings**

The Organization's response to the finding is identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho  
September 1, 2016



## **Independent Auditor's Report on Compliance for the Major Federal Program; Report Internal Control over Compliance Required by the Uniform Guidance**

The Board of Directors  
Idaho Foodbank Warehouse, Inc.  
Boise, Idaho

### **Report on Compliance for the Major Federal Program**

We have audited Idaho Foodbank Warehouse, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended April 30, 2016. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 the Organization's compliance.

### **Opinion on the Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended April 30, 2016.



## **Report on Internal Control over Compliance**

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Organization'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 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 over compliance that might be material weaknesses or significant deficiencies. 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.

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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the printed name and date.

Boise, Idaho  
September 1, 2016

Idaho Foodbank Warehouse, Inc.  
Schedule of Expenditures of Federal Awards  
April 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
<u>U.S. Department of Agriculture</u>				
Idaho Commission on Aging				
Commodities Supplemental Food Program - Administrative Costs	10.565	169130100	\$ 137,891	\$ -
Commodities Supplemental Food Program - Food Commodities	10.565	169130100	1,132,319	1,132,319
CAPAI - Idaho Department of Health and Welfare				
The Emergency Food Assistance Program - Administrative Costs	10.568	TEFAP-1016	38,258	-
The Emergency Food Assistance Program - Food Commodities	10.569	TEFAP-1016	349,177	349,177
Total Food Distribution Cluster			1,657,645	1,481,496
Summer Food Service Program for Children	10.559	4905	163,183	-
Total U.S. Department of Agriculture			1,820,828	1,481,496
<u>U.S. Department of Homeland Security</u>				
United Way				
Emergency Food and Shelter Program	97.024	216400-005	3,427	-
Total U.S. Department of Homeland Security			3,427	-
<u>U.S. Department of Health and Human Services</u>				
Corporation for National and Community Service				
Volunteers in Service to America - State	94.013	15VSPID007	8,000	-
Total U.S. Department of Homeland Security			8,000	-
Total Federal Financial Assistance			\$ 1,832,255	\$ 1,481,496

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Idaho Foodbank Warehouse, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Idaho Foodbank Warehouse, Inc. received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

**Note 2 - Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Idaho Foodbank Warehouse, Inc.'s summary of significant accounting policies is presented in Note 1 in the Idaho Foodbank Warehouse, Inc.'s basic financial statements.

The organization has elected to use the 10% de minimis cost rate.

**Note 3 - Food Donation**

At April 30, 2016, the Idaho Foodbank Warehouse, Inc. had received and disbursed food commodities in the amount of \$1,481,496. At April 30, 2016, the Idaho Foodbank Warehouse, Inc. had food commodities totaling \$361,926 of food contributed by federal programs included in year-end inventories.

Nonmonetary assistance is reported in the Schedule of Federal Expenditures at the value of its food donated and distributed using the price per pound provided by Feeding America. See Note 1 of the audited financial statements for further detail.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

    Material weaknesses identified No

    Significant deficiencies identified not considered  
     to be material weaknesses Yes

Noncompliance material to financial statements noted? No

**FEDERAL AWARDS**

Internal control over major program:

    Material weaknesses identified No

    Significant deficiencies identified not considered  
     to be material weaknesses None Reported

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

Any audit findings disclosed that are required to be reported in  
 accordance with Uniform Guidance 2 CFR 200.516: No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
--------------------------------	--------------------

Total Food Distribution Cluster

Commodities Supplemental Food Program - Administrative Costs	10.565
Commodities Supplemental Food Program - Food Commodities	10.565
The Emergency Food Assistance Program - Administrative Costs	10.568
The Emergency Food Assistance Program - Food Commodities	10.569

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

Auditee qualified as low-risk auditee? No

## Section II – Financial Statement Findings

### 2016-A            **Financial Statement Preparation Significant Deficiency in Internal Control**

*Criteria:*

The internal control structure should include procedures to ensure management is able to prepare their own financial statements.

*Condition:*

As auditors, we were requested to prepare the financial statements and footnotes. The circumstance is not unusual in an organization of this size, due to the time constraints of management and costs associated with the compliance of the standard.

*Cause:*

The controls currently in place were not sufficient to ensure management is able to prepare their own financial statements.

*Effect:*

As auditors we were required to prepare the financial statements and footnotes. The absence of controls over the preparation of the financial statements increases the possibility that a misstatement of the financial statements could occur and not be prevented, detected and corrected, by the Organization's internal controls.

*Recommendation:*

We recommend management and those charged with governance annually analyze the cost/benefit of implementing a control system which would allow for the preparation of the financial statements and the related disclosures.

*Views of Responsible Officials:*

Due to turnover in the CFO position, the prior CFO leaving one week before the Audit began, management asked for assistance to prepare the financial statements. Historically management has prepared, and going forward, management will prepare the financial statements.

**2016-B            Expense Allocations**  
**Significant Deficiency in Internal Control**

*Criteria:*

The internal control structure should include procedures to ensure management is able to properly allocate monetary and in-kind expenses.

*Condition:*

Subsequent to issuance of the audited financial statements, that there was an error in the classification of unrestricted expenses between monetary and in-kind. Amounts shown as monetary and in-kind expenses were not properly classified.

*Cause:*

The controls currently in place were not sufficient to ensure management is able to properly allocate monetary and in-kind expenses.

*Effect:*

The absence of controls over the allocation of monetary and in-kind expenses on the financial statements caused a significant classification error. This error was not prevented, detected and corrected, by the Organization's internal controls.

*Recommendation:*

We recommend management and those charged with governance annually analyze the cost/benefit of implementing a control system which would allow for management to properly allocate monetary and in-kind expenses.

*Views of Responsible Officials:*

Due to turnover in the CFO and accounting positions, the prior CFO leaving one week before the Audit began, processes and controls over processes were not completely in place and functioning at the time of the audit. Going forward, management has remedied the issue and proper controls and review are present over the allocation of monetary and in-kind expenses,

**Section III – Federal Award Findings and Questioned Costs**

None

This was an initial year single audit; thus, there were no prior year findings to report.