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**LOAVES & FISHES, INC.**

Financial Statements for the Years Ended  
September 30, 2015 and 2014  
and Independent Auditors' Report



GreerWalker



# GreerWalker

## INDEPENDENT AUDITORS' REPORT

Board of Directors of Loaves & Fishes, Inc.:

We have audited the accompanying financial statements of Loaves & Fishes, Inc. (the "Organization") which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the years 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 generally accepted accounting principles 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including 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 Loaves & Fishes, Inc. as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

*Greer Walker LLP*

February 12, 2016

**GreerWalker LLP – Certified Public Accountants**

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## **LOAVES & FISHES, INC.**

### STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2015 AND 2014

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<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Unrestricted cash and cash equivalents	\$ 1,237,311	\$ 1,249,294
Unconditional promises to give	17,250	14,750
Food on hand	304,048	132,560
Prepaid expenses	4,449	4,048
Sales tax receivable	11,752	13,243
Other current assets	57,269	31,446
Total current assets	<u>1,632,079</u>	<u>1,445,341</u>
PROPERTY:		
Office equipment	76,962	77,924
Vehicles	184,943	183,782
Furniture and fixtures	21,013	23,414
Warehouse equipment	404,605	411,808
Total	<u>687,523</u>	<u>696,928</u>
Less accumulated depreciation and amortization	<u>509,574</u>	<u>453,252</u>
Property, net	<u>177,949</u>	<u>243,676</u>
INTANGIBLE ASSETS, NET	<u>2,672</u>	<u>3,115</u>
TOTAL	<u>\$ 1,812,700</u>	<u>\$ 1,692,132</u>

See notes to financial statements.

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<u>LIABILITIES AND NET ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 11,832	\$ 11,428
Accounts payable and other liabilities	<u>37,969</u>	<u>31,589</u>
Total current liabilities	<u>49,801</u>	<u>43,017</u>
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	<u>2,725</u>	<u>14,557</u>
NET ASSETS:		
Unrestricted	756,115	822,138
Unrestricted - Board designated	975,979	788,340
Temporarily restricted	<u>28,080</u>	<u>24,080</u>
Total net assets	<u>1,760,174</u>	<u>1,634,558</u>
TOTAL	<u>\$ 1,812,700</u>	<u>\$ 1,692,132</u>

**LOAVES & FISHES, INC.**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	Year ended September 30, 2015		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT:</b>			
Individual, church and other contributions	\$ 1,503,868	\$ 2,500	\$ 1,506,368
Contributed food	1,346,318		1,346,318
Other grants	261,533	14,750	276,283
Contributed advertising	114,550		114,550
Contributed office and warehouse space	19,320		19,320
Interest	3,934		3,934
Emergency Food & Shelter Program grant	24,170	10,830	35,000
Net assets released from restrictions	24,080	(24,080)	-
<b>Total support</b>	<b>3,297,773</b>	<b>4,000</b>	<b>3,301,773</b>
<b>EXPENSES:</b>			
<b>Program services:</b>			
Contributed food	1,174,830		1,174,830
Aid to pantries	592,995		592,995
Salaries	283,544		283,544
Rent and utilities	202,813		202,813
Insurance	65,649		65,649
Depreciation	44,265		44,265
Emergency Food & Shelter Program grant services	33,500		33,500
Truck and delivery	24,982		24,982
Payroll taxes	24,568		24,568
Retirement plan contributions	23,028		23,028
Telephone	4,403		4,403
Office supplies	1,820		1,820
Other	10,858		10,858
<b>Total program services</b>	<b>2,487,255</b>	<b>-</b>	<b>2,487,255</b>
<b>Supporting services:</b>			
Salaries	227,810		227,810
Fundraising	217,321		217,321
Insurance	52,746		52,746
Professional fees	27,817		27,817
Printing	27,490		27,490
Depreciation and amortization	26,294		26,294
Payroll taxes	19,739		19,739
Computer	15,731		15,731
Rent and utilities	15,159		15,159
Bank fees	9,968		9,968
Retirement plan contributions	18,502		18,502
Telephone	6,059		6,059
Office supplies	5,459		5,459
Other	18,807		18,807
<b>Total supporting services</b>	<b>688,902</b>	<b>-</b>	<b>688,902</b>
<b>Total expenses</b>	<b>3,176,157</b>	<b>-</b>	<b>3,176,157</b>
<b>CHANGE IN NET ASSETS</b>	<b>121,616</b>	<b>4,000</b>	<b>125,616</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,610,478</b>	<b>24,080</b>	<b>1,634,558</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,732,094</b>	<b>\$ 28,080</b>	<b>\$ 1,760,174</b>

See notes to financial statements.

	Year ended September 30, 2014		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT:</b>			
Individual, church and other contributions	\$ 1,539,425	\$ 2,500	\$ 1,541,925
Contributed food	1,528,786		1,528,786
Other grants	216,638	12,250	228,888
Contributed advertising	94,699		94,699
Contributed office and warehouse space	22,536		22,536
Interest	3,891		3,891
Emergency Food & Shelter Program grant	24,932	9,330	34,262
Net assets released from restrictions	18,320	(18,320)	-
<b>Total support</b>	<b>3,449,227</b>	<b>5,760</b>	<b>3,454,987</b>
<b>EXPENSES:</b>			
<b>Program services:</b>			
Contributed food	1,483,062		1,483,062
Aid to pantries	705,739		705,739
Salaries	273,175		273,175
Rent and utilities	177,104		177,104
Insurance	62,141		62,141
Depreciation	52,129		52,129
Emergency Food & Shelter Program grant services	28,502		28,502
Truck and delivery	24,472		24,472
Payroll taxes	24,207		24,207
Retirement plan contributions	11,926		11,926
Telephone	4,055		4,055
Office supplies	1,498		1,498
Other	9,049		9,049
<b>Total program services</b>	<b>2,857,059</b>	<b>-</b>	<b>2,857,059</b>
<b>Supporting services:</b>			
Salaries	206,079		206,079
Fundraising	153,889		153,889
Insurance	46,877		46,877
Professional fees	11,750		11,750
Printing	21,846		21,846
Depreciation and amortization	26,260		26,260
Payroll taxes	18,261		18,261
Computer	14,564		14,564
Rent and utilities	13,927		13,927
Bank fees	10,009		10,009
Retirement plan contributions	8,997		8,997
Telephone	5,050		5,050
Office supplies	4,492		4,492
Other	15,822		15,822
<b>Total supporting services</b>	<b>557,823</b>	<b>-</b>	<b>557,823</b>
<b>Total expenses</b>	<b>3,414,882</b>	<b>-</b>	<b>3,414,882</b>
<b>CHANGE IN NET ASSETS</b>	<b>34,345</b>	<b>5,760</b>	<b>40,105</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,576,133</b>	<b>18,320</b>	<b>1,594,453</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,610,478</b>	<b>\$ 24,080</b>	<b>\$ 1,634,558</b>

## **LOAVES & FISHES, INC.**

### STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 125,616	\$ 40,105
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	70,559	78,392
Loss on disposal of fixed assets	-	1,992
Changes in operating assets and liabilities:		
Promises to give	(2,500)	-
Food on hand	(171,488)	(45,725)
Prepaid expenses	(401)	(180)
Sales tax receivable	1,491	24,077
Other assets	(25,824)	(7,372)
Accounts payable and other liabilities	6,380	6,925
Net cash provided by operating activities	<u>3,833</u>	<u>98,214</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(4,388)</u>	<u>(20,384)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long term debt	<u>(11,428)</u>	<u>(10,498)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,983)	67,332
CASH AND CASH EQUIVALENTS BALANCE, BEGINNING OF YEAR	<u>1,249,294</u>	<u>1,181,962</u>
CASH AND CASH EQUIVALENTS BALANCE, END OF YEAR	<u>\$ 1,237,311</u>	<u>\$ 1,249,294</u>

See notes to financial statements.



## **LOAVES & FISHES, INC.**

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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#### 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Loaves & Fishes, Inc. (the "Organization") operates as a not-for-profit organization whose principal function is to reduce the incidence of hunger and malnutrition in Mecklenburg County, North Carolina by procuring and distributing food supplies to the needy.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the fiscal year in which such adjustments are determined.

Financial Statement Presentation - The net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

*Temporarily restricted net assets* - Net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

*Permanently restricted net assets* - Net assets which contain donor-imposed restrictions stipulating that the amounts be maintained by the Organization in perpetuity. There were no permanently restricted net assets as of September 30, 2015 and 2014.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization maintains cash deposits with financial institutions that, at times, may exceed federally insured limits.

Food on Hand - Food on hand represents food which has been contributed or purchased and is available to be distributed. Such food is valued using the average cost per pound for contributed food or purchase cost for purchased food.

Property - Property is recorded at cost, if purchased, and at the estimated fair market value at the date of receipt, if contributed. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the related assets. Contributed property is reported as unrestricted support unless the donor restricts the contributed asset to a specific purpose. The Organization records capital expenditures greater than \$250 as property.

Donated Services and Materials - A number of volunteers, including members of the Board of Directors and its committees, as well as various volunteer assistants contribute significant amounts of time to the Organization's program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected as support in the accompanying financial statements. Donated services that do meet the criteria for recognition, along with donated materials, are recorded at the estimated fair value as revenue and expense. (See Note 8.)

Advertising - The Organization's policy is to expense the cost of advertising as it is incurred.

Income Taxes - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. As of September 30, 2015, the tax years ended September 30, 2012 through 2015 were open for potential examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of September 30, 2015 and 2014.

Functional Expense Classification - The Organization's functional expense classification and allocation policy is based on a review of the current organizational structure, and the identification, reclassification and allocation of certain employee, facility, and departmental expenses, which serve multiple functional areas.

Reclassifications - Certain amounts in the fiscal year 2014 financial statements have been reclassified to conform to fiscal year 2015 presentation. Such reclassifications had no effect on the previously reported change in net assets.

Subsequent Events - In preparing its financial statements, the Organization has evaluated subsequent events through February 12, 2016, which is the date the financial statements were available to be issued.

## 2. PROMISES TO GIVE

Promises to give are recognized when a donor makes an unconditional promise to give cash or property to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if restrictions expire in the fiscal year. All other donor restricted net assets are reported as temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of September 30, 2015 and 2014, promises to give totaled \$17,250 and \$14,750, respectively, and are due in the corresponding following year. Outstanding promises to give, as of September 30, 2015 and 2014, are receivables from grants awarded and pledges made to the Organization. All promises to give are considered collectible as of September 30, 2015 and 2014; therefore, no allowance for uncollectible promises to give is provided.

## 3. AID TO PANTRIES

The Organization provides assistance to food pantries, located in certain Charlotte area churches and community centers, through distribution of food (including donated and purchased), supplies and administrative support. The pantries operate autonomously and are independent of the Organization. Accordingly, the results of these pantry operations are not reflected in the financial statements of the Organization.

## 4. EMERGENCY FOOD AND SHELTER PROGRAM

The Organization receives grants from the Emergency Food & Shelter Program ("EFSP"), a United States government program, which are to be used specifically for providing emergency shelter and food. Funds provided by the grants are used to purchase food certificates for individuals in need of assistance who cannot visit a pantry and to purchase low salt foods and fruit in light syrup to meet individuals' special dietary needs. The Organization received an EFSP grant of \$35,000 and \$34,262 for the years ended September 30, 2015 and 2014, respectively. As of September 30, 2015, the Organization had distributed \$33,500 worth of food and food certificates, including the prior year's undistributed balance of \$9,330. The unused portion of the grant as of September 30, 2015 and 2014 totaled \$10,830 and \$9,330, respectively, in food certificates (included in other current assets in the accompanying statement of financial position).

5. INTANGIBLE ASSETS

As of September 30, 2015 and 2014, intangible assets other than goodwill consisted of the following:

	<u>Estimated Useful Life</u>	<u>2015</u>	<u>2014</u>
Logo	10 years	\$ 3,547	\$ 3,547
Domain name	20 years	1,779	1,779
Less: accumulated amortization		<u>(2,654)</u>	<u>(2,211)</u>
Total, net		<u>\$ 2,672</u>	<u>\$ 3,115</u>

Total amortization expense for the intangible assets was \$443 for each of the years ended September 30, 2015 and 2014. The following presents the estimated amortization expense for intangible assets for each of the next five years and thereafter.

2016	\$ 444
2017	444
2018	444
2019	103
2020	89
Thereafter	<u>1,148</u>
Total	<u>\$ 2,672</u>

6. LONG-TERM DEBT

Long-term debt consisted of the following as of September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Equipment note in monthly installments of \$1,013, including interest at 3.48%, with a final payment due December 2016, collateralized by equipment software.	\$ <u>14,557</u>	\$ <u>25,985</u>
Total	14,557	25,985
Less current portion	<u>11,832</u>	<u>11,428</u>
Long-term debt	<u>\$ 2,725</u>	<u>\$ 14,557</u>

Principal maturities of long-term debt are as follows:

September 30:	
2016	\$ 11,832
2017	<u>2,725</u>
Total	<u>\$ 14,557</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2015 and 2014 are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Emergency Food & Shelter Program grant	\$ 10,830	\$ 9,330
Funds from various organizations restricted by time	<u>17,250</u>	<u>14,750</u>
	<u>\$ 28,080</u>	<u>\$ 24,080</u>

Net assets released from restrictions are as follows:

	<u>2015</u>	<u>2014</u>
Time restricted:		
Contributions restricted for operations	\$ 14,750	\$ 14,750
Purpose restricted:		
Emergency Food & Shelter Program grant	<u>9,330</u>	<u>3,570</u>
Total	<u>\$ 24,080</u>	<u>\$ 18,320</u>

#### 8. CONTRIBUTED MATERIALS

The Organization received contributions of food valued at \$1,346,318 and \$1,528,786 during the years ended September 30, 2015 and 2014, respectively. These amounts are recognized as support in the accompanying statements of activities.

The Organization paid a reduced rate for use of its warehouse facility during the years ended September 30, 2015 and 2014. The value of this donated rent was \$19,320 and \$22,536 for each of the years ended September 30, 2015 and 2014. These amounts have been included as contributions and as rent expense in the accompanying statements of activities.

The Organization received donated advertising valued at \$114,550 and \$94,699 during the years ended September 30, 2015 and 2014, respectively. This amount has been included in contributions and as fundraising expense in the accompanying statements of activities.

The Organization received donated legal services valued at \$14,817 and \$- during the years ended September 30, 2015 and 2014, respectively. This amount has been included in contributions and as professional fees expense in the accompanying statements of activities.

#### 9. RETIREMENT PLAN

Eligible employees of the Organization participate in a Simplified Employee Pension Plan which is administered by an unaffiliated agency. Employees must be employed for one year to be eligible to participate in the plan. The Organization contributes 5% of each employee's salary to the plan annually. Contributions to the plan by the Organization totaled \$41,530 and \$20,923 for the years ended September 30, 2015 and 2014, respectively. As of year ended September 30, 2015 the Organization has determined it owes contributions to the plan related to certain employees to be in accordance with the plan document. The Organization has estimated the contributions to be approximately \$20,000 and is included in Accounts payable and other liabilities on the related financials.

#### 10. LEASE COMMITMENTS

The Organization leases certain office and warehouse space and office equipment under agreements which are classified as operating leases. For the years ended September 30, 2015 and 2014, expenses, including donated rent, under these leases totaled approximately \$123,000 and \$119,000, respectively.

Approximate future lease commitments are as follows:

Year ending September 30:	
2016	139,000
2017	145,000
2018	125,000
2019	<u>1,000</u>
Total	<u>\$ 410,000</u>

11. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the years ended September 30, 2015 and 2014 is as follows:

	<u>2015</u>		<u>2014</u>
Property acquired through long-term debt	\$	-	\$ 36,483

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