

Financial Statements

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

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Independent Auditors' Report

Members of the Board of Directors
Blessings in a Backpack, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of Blessings in a Backpack, Inc. (the "Organization"), which are comprised of the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted 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 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 auditors' 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 auditors consider 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 Blessings in a Backpack, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Strothman and Company

Louisville, Kentucky
November 11, 2021

Statements of Financial Position

Blessings in a Backpack, Inc.

	June 30, 2021			June 30, 2020		
	Local Food Programs	National Operations	Total	Local Food Programs	National Operations	Total
Assets						
Cash and cash equivalents	\$ 12,781,497	\$ 2,337,211	\$ 15,118,708	\$ 7,772,758	\$ 1,828,646	\$ 9,601,404
Investments	20,348		20,348	2,596,830	50,727	2,647,557
Contributions receivable, net	167,148	101,794	268,942	155,138	189,948	345,086
Prepaid expenses and other assets	3,721	45,223	48,944	2,277	13,402	15,679
Furniture and equipment, net		20,930	20,930		3,374	3,374
Total Assets	\$ 12,972,714	\$ 2,505,158	\$ 15,477,872	\$ 10,527,003	\$ 2,086,097	\$ 12,613,100
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 174,849	\$ 68,023	\$ 242,872	\$ 239,243	\$ 44,659	\$ 283,902
Other accrued expenses	13,696	278,536	292,232	1,537	310,741	312,278
Deferred event income	19,472	88,353	107,825	54,785		54,785
Paycheck Protection Program loan payable					391,700	391,700
Total Liabilities	208,017	434,912	642,929	295,565	747,100	1,042,665
Net Assets						
Without donor restrictions	10,976,576	1,359,908	12,336,484	8,976,072	758,833	9,734,905
With donor restrictions	1,788,121	710,338	2,498,459	1,255,366	580,164	1,835,530
Total Net Assets	12,764,697	2,070,246	14,834,943	10,231,438	1,338,997	11,570,435
Total Liabilities and Net Assets	\$ 12,972,714	\$ 2,505,158	\$ 15,477,872	\$ 10,527,003	\$ 2,086,097	\$ 12,613,100

See Accompanying Notes to Financial Statements

Statements of Activities

Blessings in a Backpack, Inc.

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support						
Contributions	\$ 8,743,337	\$ 1,776,857	\$ 10,520,194	\$ 9,271,922	\$ 1,211,795	\$ 10,483,717
Grants	1,301,398	143,362	1,444,760	1,303,153	553,315	1,856,468
Fundraising events	397,057		397,057	670,646		670,646
Less direct benefits to donors	105,327		105,327	195,208		195,208
	291,730		291,730	475,438		475,438
In-kind contributions	550,488		550,488	3,933,208		3,933,208
Investment income	15,524		15,524	70,008		70,008
Other income	103,194		103,194	97,272		97,272
	11,005,671	1,920,219	12,925,890	15,151,001	1,765,110	16,916,111
Net Assets Released From Donor Imposed Restrictions	1,257,290	(1,257,290)		396,044	(396,044)	
Total Support	12,262,961	662,929	12,925,890	15,547,045	1,369,066	16,916,111
Expenses						
Program services	7,540,150		7,540,150	12,454,058		12,454,058
General and administrative	1,319,727		1,319,727	1,053,736		1,053,736
Fundraising	1,193,205		1,193,205	1,084,487		1,084,487
Total Expenses	10,053,082		10,053,082	14,592,281		14,592,281
Change in Net Assets from Operations	2,209,879	662,929	2,872,808	954,764	1,369,066	2,323,830
Non-Operating Income						
Paycheck Protection Program loan forgiveness income	391,700		391,700			
Change in Net Assets	2,601,579	662,929	3,264,508	954,764	1,369,066	2,323,830
Net Assets Beginning of Year	9,734,905	1,835,530	11,570,435	8,780,141	466,464	9,246,605
Net Assets End of Year	\$ 12,336,484	\$ 2,498,459	\$ 14,834,943	\$ 9,734,905	\$ 1,835,530	\$ 11,570,435

See Accompanying Notes to Financial Statements

Statements of Functional Expenses

Blessings in a Backpack, Inc.

	Year Ended June 30, 2021				Year Ended June 30, 2020			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Food and backpack expenses	\$ 6,214,087		\$ 1,266	\$ 6,215,353	\$ 7,824,597			\$ 7,824,597
Payroll and employee benefits	997,190	\$ 1,005,948	872,515	2,875,653	1,088,466	\$ 779,293	\$ 578,829	2,446,588
Contract services	100,115	87,025	29,298	216,438	132,805	33,174	7,329	173,308
Rent expense	65,730	59,397	48,985	174,112	69,838	46,371	37,977	154,186
Administrative expenses	113,630	102,369	148,249	364,248	85,440	93,475	96,823	275,738
Depreciation expense		4,056		4,056		307		307
Marketing expenses	44,245	18,216	88,550	151,011	30,455	9,249	63,896	103,600
Travel	5,153	2,294	4,342	11,789	43,497	20,936	19,633	84,066
In-kind expenses		40,020		40,020	3,178,960	70,000	280,000	3,528,960
Other expenses		402		402		931		931
	<u>\$ 7,540,150</u>	<u>\$ 1,319,727</u>	<u>\$ 1,193,205</u>	<u>\$ 10,053,082</u>	<u>\$ 12,454,058</u>	<u>\$ 1,053,736</u>	<u>\$ 1,084,487</u>	<u>\$ 14,592,281</u>

See Accompanying Notes to Financial Statements

Statements of Cash Flows

Blessings in a Backpack, Inc.

	Year Ended June 30	
	2021	2020
Operating Activities		
Change in net assets	\$ 3,264,508	\$ 2,323,830
Adjustments		
Non-cash forgiveness of Paycheck Protection Program loan	(391,700)	
Depreciation	4,056	307
Increase (decrease) in allowance for uncollectable contributions	(114,999)	102,959
Reinvested dividends and interest	(2,715)	(47,071)
Realized gain on sales of investments		(1,263)
Unrealized gain on investments	(3,559)	(3,028)
Changes in operating assets and liabilities		
Contributions receivable	191,143	302,107
Prepaid expenses and other assets	(33,265)	18,881
Accounts payable	(41,030)	83,857
Other accrued expenses	(20,046)	108,190
Deferred event income	53,040	(66,190)
Net Cash Provided By Operating Activities	2,905,433	2,822,579
Investing Activities		
Sales of investments	2,636,983	3,138,612
Purchases of investments		(2,628,107)
Donation of investments	(3,000)	
Transfer (from) to investments	(500)	25,000
Purchases of equipment	(21,612)	(3,681)
Net Cash Provided By Investing Activities	2,611,871	531,824
Financing Activities		
Proceeds from Paycheck Protection Program loan		391,700
Net Increase in Cash and Cash Equivalents	5,517,304	3,746,103
Cash and Cash Equivalents Beginning of Year	9,601,404	5,855,301
Cash and Cash Equivalents End of Year	\$ 15,118,708	\$ 9,601,404

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note A--Description of Business

Blessings in a Backpack, Inc. (the "Organization") is a non-profit organization that provides backpacks of food each weekend during the school year to children whose families qualify for the federal free and reduced price meal program. The Organization's program is run in participating schools across the nation.

The Organization manages the operations of numerous local school food distribution programs. The statements of financial position are segregated between those local food programs and the national office operations, and reflects the various assets and liabilities designated for local food program operations and general and administrative operations, respectively.

The Organization's primary source of support is contributions.

Note B--Summary of Significant Accounting Policies

The Organization follows generally accepted accounting principles, as outlined in the Financial Accounting Standards Board's ("FASB") *Accounting Standards Codification* ("ASC"). Significant accounting policies are as follows:

Financial Statement Presentation--The Organization is required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents--The Organization considers all highly-liquid investments with maturities when purchased of three months or less, that are not designated for a specific purpose, to be cash equivalents.

Investments--Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest income, and dividends) is included in the statements of activities. Interest income is recorded on accrual basis. Dividend income is recorded on the ex-dividend date.

Contributions Receivable--Contributions receivable are expected to be collected within one year and are stated net of an allowance for uncollectible contributions. Management of the Organization estimates an allowance for uncollectible contributions based on its specifically identifying questionable accounts, and on the historical collection experience of the Organization. Uncollectible contributions receivable are charged against the allowance account when deemed uncollectible by management. The allowance for uncollectible contributions was \$114,999 as of June 30, 2020. There were no amounts determined uncollectible for the year ended June 30, 2021.

Furniture and Equipment--The Organization capitalizes all expenditures for furniture and equipment in excess of \$500, which are recorded at cost, if purchased, or fair market value at date of gift, if donated. Depreciation is computed using the accelerated methods over the estimated useful lives of the related assets.

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note B--Summary of Significant Accounting Policies--Continued

Contributions--Contributions received are recorded as being either without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to support without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Contributions whose restrictions are met in the same fiscal year are reported as contributions without donor restrictions.

In-Kind Contributions--These contributions of food, supplies and office space are recorded at fair value and recognized as support and program service expenses in the fiscal year when they are received. Contributions of professional services and event support costs are likewise recorded at fair value and recognized as administrative and fundraising expenses, respectively.

The Organization also receives free services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because these services do not meet the criteria for recording as support and expenses.

Allocation of Functional Expenses--The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on personnel time utilized for the related activities.

Advertising Costs--Advertising costs are expensed as incurred. Total advertising and promotion expense was \$143,952 and \$85,495 for the years ended June 30, 2021 and 2020, respectively.

Fair Value of Financial Instruments--The carrying amounts for current assets and liabilities approximate their fair values due to their short maturity.

Use of Estimates--The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes--The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is reflected in the accompanying financial statements. The Organization had no unrelated business income during the periods covered by these audits.

Generally accepted accounting principles prescribe a comprehensive model for how an entity should measure, recognize, present and disclose in its financial statements uncertain tax positions that an entity has taken or expects to take on a tax return. There was no impact on the Organization's financial statements as a result of the implementation of these accounting principles.

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note B--Summary of Significant Accounting Policies--Continued

Reclassifications--Certain reclassifications have been made to the 2020 financial statements in order to conform to 2021 presentation. There was no net effect on net assets or on the change in net assets resulting from these classifications.

Note C--Cash and Cash Equivalents

The Organization maintains its cash and cash equivalents at two financial institutions. The Federal Deposit Insurance Corporation ("FDIC") insures these balances up to \$250,000 at each institution. At June 30, 2021 and 2020, the Organization's cash accounts and cash equivalents at both banks exceeded the FDIC insured amount by approximately \$8,113,000 and \$7,822,000, respectively.

Note D--Investments and Fair Value Measurements

Generally accepted accounting principles provide a framework for measuring fair value, and expand disclosures required for fair value measurements. They also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three board levels. These levels, in order of highest to lowest priority are described below:

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Inputs to the valuation methodology are based on significant unobservable inputs.

The Organization uses published prices from actively traded markets (Level I inputs) in determining the fair value of its investments, which include money market funds. The amount classified as investments as of June 30, 2021 is designated for local food programs.

Continued

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note D--Investments and Fair Value Measurements--Continued

The following table presents the fair value of investments:

	Asset as Fair Value as of	
	June 30, 2021	June 30, 2020
	Quoted Prices in Active Markets (Level I)	Quoted Prices in Active Markets (Level I)
Money market funds	<u>\$ 20,348</u>	<u>\$ 2,647,557</u>

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Organization.

Investment income is comprised of the following components in the statements of activities:

	June 30	
	2021	2020
Interest and dividend income	\$ 11,965	\$ 65,717
Net unrealized gain on investments	3,559	3,028
Realized gain on investments		1,263
Total Investment Income	<u>\$ 15,524</u>	<u>\$ 70,008</u>

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note E--Furniture and Equipment

Furniture and equipment consists of the following:

	June 30	
	2021	2020
Computers	\$ 61,372	\$ 69,172
Telephone system	8,783	8,783
Software	40,075	40,075
Furniture	16,926	16,926
	127,156	134,956
Less accumulated depreciation	106,226	131,582
	Furniture and Equipment, net	\$ 3,374

Note F--Deferred Event Income

As of June 30, 2021 and 2020, the Organization had received payments totaling \$107,825 and \$54,785, respectively, for tickets, sponsorships and donations for various events supporting local food programs. Since these events did not take place until after the respective year-ends in which the funds were raised, this support has been recorded as deferred event income.

Note G--Line of Credit

The Organization has a \$250,000 revolving line of credit agreement with Republic Bank which bears interest at the prime rate (3.25% as of June 30, 2021). The line of credit is collateralized by substantially all the assets of the Organization. There were no outstanding borrowings as of June 30, 2021 or 2020. The line of credit expires on September 8, 2022.

Note H--Letter of Credit

As of June 30, 2021, the Organization had a bank letter of credit related to an office building lease in Chicago, Illinois, in the amount of \$23,482.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note I--Paycheck Protection Program Loan Payable

In April 2020, the Organization obtained a United States Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan of \$391,700, which has an interest rate of 1% and is due in April 2022. The PPP loan, when used for certain expenses (payroll, retirement contributions, health insurance costs, rent and utilities), can be forgiven.

In June 2020, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board provided technical guidance which stated that the proceeds from SBA PPP loans could be accounted for as either debt or a government grant. For the year ended June 30, 2020, management elected to account for this unique lending vehicle as debt.

In February, 2021, the Organization was notified that the PPP loan was forgiven and the loan was recorded as non-operating income in the statements of activities for the year ending June 30, 2021.

Note J--Contingencies

In March 2020, the World Health Organization declared the spread of Coronavirus Disease ("COVID-19") a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the potential negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note K--Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year.

	June 30	
	2021	2020
Cash and cash equivalents	\$ 15,118,708	\$ 9,601,404
Investments	20,348	2,647,557
Contributions receivable, net	268,942	345,086
	<hr/>	<hr/>
Total Financial Assets	15,407,998	12,594,047
Less net assets with donor-imposed restrictions	2,498,459	1,835,530
	<hr/>	<hr/>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 12,909,539	\$ 10,758,517
	<hr/> <hr/>	<hr/> <hr/>

Note L--Net Assets with Donor Restrictions

Net assets with donor restrictions include contributions and grants for which donor imposed restrictions are to be met, and are restricted for the following purposes:

	June 30	
	2021	2020
Restricted for Specified Purpose:		
New upcoming schools	\$ 54,491	\$ 45,940
Corporate employee engagement	61,500	84,000
COVID relief and other	105,089	764,970
Chapter launch	33,528	210,900
	<hr/>	<hr/>
	254,608	1,105,810
Restricted by Time:		
Program funding for specific future years	2,243,851	729,720
	<hr/>	<hr/>
	\$ 2,498,459	\$ 1,835,530
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Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note M--Lease Commitments

The Organization leases office equipment and space for office facilities under non-cancelable operating lease agreements with terms of one year or more. Lease expense for the years ended June 30, 2021 and 2020 was \$174,112 and \$158,212 respectively.

Aggregate commitments under long-term operating lease agreements are as follows:

<u>Year Ending June 30</u>	
2022	\$ 60,751
2023	3,440
2024	<u>507</u>
	<u>\$ 64,698</u>

Note N--Retirement Plan

The Organization maintains a 403(b) retirement plan that covers all employees age 21 and older who work more than twenty hours per week. Employees may contribute up to the maximum percentage of compensation and dollar amount permissible under the Internal Revenue Code. The plan contains a provision for a discretionary employer matching contribution. A matching contribution of 3% totaling \$64,783 and \$62,427, respectively, was recorded in accrued liabilities as of June 30, 2021 and 2020.

Note O--Future Accounting Pronouncements

On February 25, 2016, the FASB issued ASU No. 2016-02 *Leases* (Topic 842). This new standard, which the Organization is not required to adopt until its year ending June 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statements of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

On September 17, 2020, the FASB issued ASU No. 2020-07 *Not-for-Profit Entities* (Topic 958). This new standard, which the Organization is not required to adopt until its year ending June 30, 2022, is intended to increase transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets include fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets.

The Organization is presently evaluating the effects that these ASUs will have on its future financial statements, including related disclosures.

Notes to Financial Statements--Continued

Blessings in a Backpack, Inc.

June 30, 2021 and 2020

Note P--Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 11, 2021, the date the financial statements were available to be issued.