ICM Food & Clothing Bank

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT

September 30, 2015
(with comparative totals for 2014)

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Independent Auditors' Report

To the Board of Directors of
ICM Food & Clothing Bank
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of ICM Food & Clothing Bank (ICM, an Arizona nonprofit corporation), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICM Food & Clothing Bank as of September 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited ICM Food & Clothing Bank's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fester & Chapman P.C.

April 8, 2016

ICM Food & Clothing Bank

STATEMENT OF FINANCIAL POSITION

September 30, 2015
(with comparative financial information as of September 30, 2014)

	2015	2014
ASSETS		
Cash	$ 86,861	$ 150,082
Investments	184,345	191,756
Grants receivable		8,296
Inventories	72,964	119,920
Property and equipment:		
Land	43,663	43,663
Buildings and improvements	702,881	642,504
Vehicles, furniture and equipment	137,723	137,932
	884,267	824,099
Less accumulated depreciation	(361,105)	(321,316)
Property and equipment, net	523,162	502,783
Total assets	$ 867,332	$ 972,837
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 16,848	$ 20,414
Total liabilities	16,848	20,414
Net Assets:		
Unrestricted	639,642	776,235
Temporarily restricted	210,842	176,188
Total net assets	850,484	952,423
Total liabilities and net assets	$ 867,332	$ 972,837

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

ICM Food & Clothing Bank

STATEMENT OF ACTIVITIES

Year Ended September 30, 2015
(with comparative financial information for the year ended September 30, 2014)

	Unrestricted	Temporarily Restricted	Totals 2015	Totals 2014
Revenue, support, loss and gains:				
Contributions:				
In-kind	$ 4,184,659		$ 4,184,659	$3,569,161
Congregational	17,150	$ 10,262	27,412	39,128
Individual	147,518	10,095	157,613	128,011
Civic/corporate	93,205	133,500	226,705	435,840
Special events, net of direct donor benefits of $1,000 and $3,000, respectively	25,811		25,811	45,117
Government grants	57,625		57,625	96,357
Investment (loss) gains	(4,538)		(4,538)	17,757
Other income	25,385		25,385	8,586
Net assets released from restrictions	119,203	(119,203)		
Total revenue, support, loss and gains	4,666,018	34,654	4,700,672	4,339,957
Expenses:				
Program services:				
Food bank	3,575,774		3,575,774	3,313,270
Clothing bank	963,572		963,572	595,292
Direct assistance	17,704		17,704	27,128
Total program expenses	4,557,050		4,557,050	3,935,690
Supporting services:				
Management and general	124,979		124,979	125,664
Fundraising	120,582		120,582	108,292
Total supporting expenses	245,561		245,561	233,956
Total expenses	4,802,611		4,802,611	4,169,646
Change in net assets	(136,593)	34,654	(101,939)	170,311
Net assets, beginning of year	776,235	176,188	952,423	782,112
Net assets, end of year	$ 639,642	$ 210,842	$ 850,484	$ 952,423

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

ICM Food & Clothing Bank
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2015
(with comparative financial information for the year ended September 30, 2014)

	Program Services				Supporting Services				
	Food Bank	Clothing Bank	Direct Assistance	Total	Management and General	Fundraising	Total	2015 Expenses	2014 Expenses
Children's Corner		$ 9,368		$ 9,368				$ 9,368	$ 3,323
Transportation									3,191
Medical, hygiene and other			$ 6,578	6,578				6,578	15,445
Food	$ 30,789			30,789				30,789	41,780
Personnel expenses	139,626	51,861	7,979	199,466	$ 83,732	$ 77,345	$ 161,077	360,543	361,675
Supplies	6,160	2,288	352	8,800	3,694	3,412	7,106	15,906	19,648
Insurance	5,613	2,085	321	8,019	3,366	3,109	6,475	14,494	11,099
Telephone and communication	3,089	1,148	177	4,414	1,854	1,711	3,565	7,979	6,180
Utilities	7,231	2,685	413	10,329	4,336	4,005	8,341	18,670	20,901
Printing and postage	2,807	1,043	160	4,010	1,683	1,555	3,238	7,248	10,020
Professional development	491	183	28	702	294	271	565	1,267	1,730
Repairs and maintenance	6,385	2,180	335	8,900	3,518	3,250	6,768	15,668	17,066
Vehicle expense	2,543	946	145	3,634	1,524	1,409	2,933	6,567	9,898
Bank charges and investment fees	1,984	737	112	2,833	1,190	1,100	2,290	5,123	5,038
Accounting					10,548		10,548	10,548	13,409
Marketing						14,879	14,879	14,879	11,486
Volunteer expense	3,906	1,450	223	5,579				5,579	3,312
Subtotal	210,624	75,974	16,823	303,421	115,739	112,046	227,785	531,206	555,201
Food, in-kind	3,349,741			3,349,741				3,349,741	3,067,007
Clothing, in-kind		881,875		881,875				881,875	516,017
Depreciation	15,409	5,723	881	22,013	9,240	8,536	17,776	39,789	31,421
Total expenses	$ 3,575,774	$ 963,572	$ 17,704	$ 4,557,050	$ 124,979	$ 120,582	$ 245,561	$ 4,802,611	$ 4,169,646

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

ICM Food & Clothing Bank

STATEMENT OF CASH FLOWS

Year Ended September 30, 2015
(with comparative financial information for the year ended September 30, 2014)

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ (101,939)	$ 170,311
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	39,789	31,421
Net loss (gains) on investments	7,411	(15,164)
In-kind donations of capital improvements		(19,050)
Changes in:		
Grants receivable	8,296	5,070
Inventories	46,956	32,913
Accounts payable and accrued expenses	(3,566)	2,814
Net cash (used) provided by operating activities	(3,053)	208,315
Cash flows from investing activities:		
Purchases of property and equipment	(60,168)	(93,226)
Proceeds from sales of investments		60,000
Purchases of investments		(62,018)
Net cash (used) by investing activities	(60,168)	(95,244)
Change in cash	(63,221)	113,071
Cash, beginning of year	150,082	37,011
Cash, end of year	$ 86,861	$ 150,082
Supplemental disclosures:		
Contributed capital improvements		$ 19,050

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: ICM Food & Clothing Bank (ICM) is an Arizona nonprofit corporation formed in February 1983, formerly known as Interfaith Cooperative Ministries. The mission of ICM is to provide an immediate response to basic human needs. ICM operates a food bank in central Phoenix and provides food, clothing, financial assistance, case management and free medical clinic services to qualified people who present themselves for service. ICM's support and revenue come primarily from contributions.

The significant accounting policies of ICM follow:

Basis of Presentation: ICM follows standards of accounting and financial reporting for voluntary health and welfare organizations in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*. ICM reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. ICM had no permanently restricted net assets at September 30, 2015 or 2014.

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

Donated Assets and Services: ICM's in-kind support includes skilled labor of numerous volunteers, and food and clothing which is then distributed to its clients. In-kind contributions are recognized in accordance with the FASB ASC topic of *Not-for-Profit Entities*, which requires recognition of certain services received at estimated fair value if those services create or enhance long-lived assets, require specialized skills, and would typically need to be purchased if not provided by donation.

In addition, a substantial portion of ICM's functions and programs are provided by unpaid volunteers. The estimated fair value for this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills meeting the criteria in the FASB ASC topic of *Not-for-Profit Entities*. During the years ended September 30, 2015 and 2014, donated volunteer hours totaled 24,909 and 22,540, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Concentration of Credit Risk: ICM maintains its cash and investment accounts at financial institutions that may at times exceed the limits insured by the Federal Deposit Insurance Corporation (FDIC) or covered by the Securities Investment Protection Corporation (SIPC).

Investments: Investments are recorded at fair value (See Note 6). Unrealized and realized gains are accounted for as investment income.

Grants Receivable: ICM recognizes grants as support when eligible costs are incurred or revenues are earned. Grants receivable are recorded when grant expenses are incurred or contracted services have been provided, but reimbursement has not been received by ICM.

Inventories: ICM maintains inventories of food and clothing items for distribution. Donated food is valued at $1.50 per pound and donated clothing is valued at $3.20 per pound, which management has determined to approximate their fair values.

Property and Equipment: Property and equipment costing $750 or more are stated at cost, or if donated, at the estimated value on the date received. ICM depreciates its property and equipment over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 15 years
Vehicles	5 years

Contributions: Contributions are reported in accordance with the FASB ASC topic of *Not-for-Profit Entities*. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Income Taxes: ICM is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expense Allocation: The costs of providing program services and other activities are stated on a functional basis in the accompanying financial statements. Certain costs have been allocated among the programs and supporting services benefited based on management's estimate of employee hours and facility usage devoted to each function.

Prior Year Summarized Information: The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ICM's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

Subsequent Events: ICM has evaluated subsequent events through April 8, 2016, which was the date ICM's financial statements were issued.

NOTE 2 - CONCENTRATION OF REVENUES

During the years ended September 30, 2015 and 2014, ICM received 89% and 82%, respectively, of its revenues from St. Mary's Food Bank Alliance as donated food and clothing (See Note 3).

NOTE 3 - IN-KIND CONTRIBUTIONS

ICM recorded in-kind revenue totaling $4,184,659 for the year ended September 30, 2015, which consisted of donated food and clothing. ICM recorded in-kind revenue totaling $3,569,161 for the year ended September 30, 2014, which consisted of $3,550,111 in donated food and clothing, and $19,050 for donated building improvements. In-kind expense is recognized when the donated items are distributed. Most of the donated food was provided by St. Mary's Food Bank Alliance.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

During the years ended September 30, 2015 and 2014, ICM received $153,857 and $326,695, respectively, in restricted contributions.

Temporarily restricted net assets were restricted for the following purposes at September 30:

	2015	2014
Building repairs and improvements	$ 52,412	$ 105,970
Personnel costs and other restricted purposes	158,430	70,218
	$ 210,842	$ 176,188

Net assets released from restrictions for the years ended September 30, were as follows:

	2015	2014
Direct assistance	$ 19,136	$ 14,883
Building repairs and improvements	54,184	83,476
Personnel costs	45,883	81,698
	$ 119,203	$ 180,057

NOTE 5 - RETIREMENT PLAN

ICM sponsors a Savings Incentive Match Plan for Employees (SIMPLE) IRA plan for its employees. Under the plan, ICM contributes 2% of gross salaries for eligible, participating employees. In addition, employees can elect to voluntarily contribute a percentage of their gross salaries, up to $10,000. The costs of the plan were $5,524 and $4,318 for the years ended September 30, 2015 and 2014, respectively, and are included in personnel expenses on the statement of functional expenses.

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active. ICM currently does not have any financial instruments it values based on Level 2 inputs.

Level 3 inputs are the most subjective, and are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. ICM currently does not have any financial instruments it values based on Level 3 inputs.

Fair value of investments at September 30, 2015, was as follows:

	Level 1
Equities:	
U.S. large cap	$ 40,186
U.S. mid cap	9,981
U.S. small cap	6,049
Non-U.S. equities	25,616
Total equities	81,832
Bonds:	
Intermediate	80,299
High yield	3,625
Alternative fixed income	14,301
Total bonds	98,225
Other	4,288
Total investments	$ 184,345

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair value of investments at September 30, 2014, was as follows:

	Level 1
Equities:	
U.S. large cap	$ 45,355
U.S. mid cap	10,430
U.S. small cap	6,294
Non-U.S. equities	20,053
Total equities	82,132
Bonds:	
Intermediate	72,499
Balanced	14,316
High yield	3,724
Alternative fixed income	14,762
Total bonds	105,301
Other	4,323
Total investments	$ 191,756

Investment income was comprised of the following for the years ended September 30:

	2015	2014
Interest and dividends	$ 8,721	$ 6,512
Realized and unrealized (losses) gains	(13,259)	11,245
Investment (loss) gains	(4,538)	17,757
Less: investment fees	(2,873)	(2,593)
Net (loss) gains on investments	$ (7,411)	$ 15,164