

ICM Food & Clothing Bank
FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT

September 30, 2017
(with comparative totals for 2016)

CONTENTS

Independent Auditors' Report.....	1 - 2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7 - 12



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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fester & Chapman, PLLC

February 9, 2018

ICM Food & Clothing Bank

STATEMENT OF FINANCIAL POSITION

September 30, 2017

(with comparative financial information as of September 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 87,460	\$ 22,481
Investments	187,104	195,292
Grants receivable	25,000	6,293
Inventories	72,445	78,158
Property and equipment:		
Land	43,663	43,663
Buildings and improvements	663,890	696,692
Vehicles, furniture and equipment	<u>188,432</u>	<u>137,932</u>
	895,985	878,287
Less accumulated depreciation	<u>(442,474)</u>	<u>(398,404)</u>
Property and equipment, net	<u>453,511</u>	<u>479,883</u>
Total assets	<u>\$ 825,520</u>	<u>\$ 782,107</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 35,813</u>	<u>\$ 24,508</u>
Total liabilities	35,813	24,508
Net assets:		
Unrestricted	741,266	680,842
Temporarily restricted	<u>48,441</u>	<u>76,757</u>
Total net assets	<u>789,707</u>	<u>757,599</u>
Total liabilities and net assets	<u>\$ 825,520</u>	<u>\$ 782,107</u>

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

ICM Food & Clothing Bank

STATEMENT OF ACTIVITIES

Year Ended September 30, 2017

(with comparative financial information for the year ended September 30, 2016)

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Revenue, support, and gains:				
Contributions:				
In-kind	\$ 6,011,459		\$ 6,011,459	\$5,514,190
Congregational	17,825		17,825	18,658
Individual	249,867		249,867	193,066
Civic/corporate	224,656		224,656	127,346
Special events, net of direct donor benefits of \$2,573 and \$4,250, respectively	54,769		54,769	36,874
Government grants	49,920		49,920	30,223
Investment gains	18,064		18,064	13,491
Other income	18,250		18,250	27,245
Net assets released from restrictions	<u>28,316</u>	\$ (28,316)		
Total revenue, support, and gains	6,673,126	(28,316)	6,644,810	5,961,093
Expenses:				
Program services:				
Food bank	5,596,107		5,596,107	4,952,454
Clothing bank	737,459		737,459	834,252
Direct assistance	<u>14,819</u>		<u>14,819</u>	<u>13,205</u>
Total program expenses	6,348,385		6,348,385	5,799,911
Supporting services:				
Management and general	151,826		151,826	142,543
Fundraising	<u>112,491</u>		<u>112,491</u>	<u>111,524</u>
Total supporting expenses	<u>264,317</u>		<u>264,317</u>	<u>254,067</u>
Total expenses	<u>6,612,702</u>		<u>6,612,702</u>	<u>6,053,978</u>
Change in net assets	60,424	(28,316)	32,108	(92,885)
Net assets, beginning of year	<u>680,842</u>	<u>76,757</u>	<u>757,599</u>	<u>850,484</u>
Net assets, end of year	<u>\$ 741,266</u>	<u>\$ 48,441</u>	<u>\$ 789,707</u>	<u>\$ 757,599</u>

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

ICM Food & Clothing Bank

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2017

(with comparative financial information for the year ended September 30, 2016)

	Program Services			Supporting Services			2017 Expenses	2016 Expenses
	Food Bank	Clothing Bank	Direct Assistance	Total	Management and General	Fundraising		
Children's Corner		\$ 12,127		\$ 12,127			\$ 12,127	\$ 11,970
Food	\$ 25,280			25,280			25,280	8,864
Medical, hygiene and other			\$ 3,200	3,200			3,200	2,505
Personnel expenses	127,566	47,381	7,289	182,236	\$ 96,295	\$ 76,632	\$ 172,927	360,543
Supplies	5,351	1,988	306	7,645	4,040	3,215	7,255	12,792
Insurance	6,056	2,250	346	8,652	4,572		4,572	18,473
Telephone and communication	2,849	1,058	163	4,070	2,150	1,711	3,861	7,981
Utilities	7,649	2,841	437	10,927	5,774	4,595	10,369	22,268
Printing and postage						6,829	6,829	4,311
Professional development					1,088		1,088	1,710
Repairs and maintenance	8,750	3,250	500	12,500	6,605		6,605	16,061
Vehicle expense	2,969	1,103	170	4,242	2,241		2,241	4,523
Bank charges and investment fees					2,463	4,166	6,629	5,098
Professional services	18,872	7,009	1,078	26,959	11,362	1,239	12,601	8,922
Marketing						14,104	14,104	9,000
Volunteer expense	3,097	1,151	177	4,425			4,425	4,417
Miscellaneous								7,677
Subtotal	208,439	80,158	13,666	302,263	136,590	112,491	249,081	507,115
Food, in-kind	5,367,485			5,367,485			5,367,485	4,756,284
Clothing, in-kind		649,804		649,804			649,804	752,711
Depreciation	20,183	7,497	1,153	28,833	15,236		15,236	37,868
Total expenses	<u>\$ 5,596,107</u>	<u>\$ 737,459</u>	<u>\$ 14,819</u>	<u>\$ 6,348,385</u>	<u>\$ 151,826</u>	<u>\$ 112,491</u>	<u>\$ 264,317</u>	<u>\$ 6,612,702</u>

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

ICM Food & Clothing Bank

STATEMENT OF CASH FLOWS

Year Ended September 30, 2017

(with comparative financial information for the year ended September 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 32,108	\$ (92,885)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	44,069	37,868
Net gains on investments	(15,653)	(9,251)
Changes in:		
Grants receivable	(18,707)	(6,293)
Inventories	5,713	(5,194)
Accounts payable and accrued expenses	<u>11,305</u>	<u>7,660</u>
Net cash provided (used) by operating activities	58,835	(68,095)
Cash flows from investing activities:		
Purchases of property and equipment	(17,697)	
Proceeds from sales of investments	58,841	192,928
Purchases of investments	<u>(35,000)</u>	<u>(189,213)</u>
Net cash provided by investing activities	<u>6,144</u>	<u>3,715</u>
Change in cash	64,979	(64,380)
Cash, beginning of year	<u>22,481</u>	<u>86,861</u>
Cash, end of year	<u>\$ 87,460</u>	<u>\$ 22,481</u>
<u>Supplemental disclosure:</u>		
Cash paid for interest	\$ 0	\$ 0

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

ICM Food & Clothing Bank

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(with comparative financial information as of and for the year ended September 30, 2016)

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, and case management 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, 2017 or 2016.

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 each of the years ended September 30, 2017 and 2016, donated volunteer hours totaled approximately 31,000.

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).

ICM Food & Clothing Bank

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(with comparative financial information as of and for the year ended September 30, 2016)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Management believes that all grants receivable are collectible based on historical results and management's evaluation of the individual receivables outstanding. Therefore, no allowance for doubtful accounts is recognized.

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.

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.

ICM Food & Clothing Bank

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(with comparative financial information as of and for the year ended September 30, 2016)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2016, from which the summarized information was derived.

Subsequent Events: ICM has evaluated subsequent events through February 9, 2018, which was the date ICM's financial statements were issued.

NOTE 2 - CONCENTRATION OF REVENUES

During the years ended September 30, 2017 and 2016, ICM received 79% and 80%, respectively, of its revenues from St. Mary's Food Bank Alliance as donated food (See Note 3).

NOTE 3 - IN-KIND CONTRIBUTIONS

ICM recorded in-kind revenue totaling \$6,011,459 and \$5,514,190 for the years ended September 30, 2017 and 2016, respectively, which consisted of donated food and clothing. 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 year ended September 30, 2016, ICM received \$59,980 in restricted contributions.

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

	<u>2017</u>	<u>2016</u>
Personnel costs and other restricted purposes	\$ 48,441	\$ 76,757

ICM Food & Clothing Bank

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(with comparative financial information as of and for the year ended September 30, 2016)

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

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

	<u>2017</u>	<u>2016</u>
Direct assistance		\$ 22,701
Building repairs and improvements		16,061
Personnel costs and other restricted purposes	\$ 28,316	155,303
	<u>\$ 28,316</u>	<u>\$ 194,065</u>

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 \$5,447 and \$5,227 for the years ended September 30, 2017 and 2016, 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:

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.

ICM Food & Clothing Bank

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(with comparative financial information as of and for the year ended September 30, 2016)

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair value of investments at September 30, 2017, was as follows:

	<u>Level 1</u>
Equities:	
U.S. large cap	\$ 45,790
U.S. mid cap	7,733
Non-U.S. equities	<u>53,093</u>
Total equities	106,616
Bonds:	
Intermediate	58,002
Short	5,428
High yield	5,492
International	<u>11,566</u>
Total bonds	<u>80,488</u>
Total investments	<u><u>\$ 187,104</u></u>

Fair value of investments at September 30, 2016, was as follows:

	<u>Level 1</u>
Equities:	
U.S. large cap	\$ 34,592
U.S. mid cap	10,930
Non-U.S. equities	<u>46,216</u>
Total equities	91,738
Bonds:	
Long	3,850
Intermediate	55,860
Short	14,388
High yield	4,590
International	4,595
Alternative fixed income	<u>4,194</u>
Total bonds	87,477
Other	<u>16,077</u>
Total investments	<u><u>\$ 195,292</u></u>

ICM Food & Clothing Bank

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

(with comparative financial information as of and for the year ended September 30, 2016)

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 5,565	\$ 2,761
Realized and unrealized gains	<u>12,499</u>	<u>10,730</u>
Investment gains	18,064	13,491
Less: investment fees	<u>(2,411)</u>	<u>(4,240)</u>
Net gains on investments	<u><u>\$ 15,653</u></u>	<u><u>\$ 9,251</u></u>