



FRANKFORT, KENTUCKY

FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2019 AND 2018

FEEDING KENTUCKY, INC.

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JUNE 30, 2019 AND 2018

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Feeding Kentucky, Inc.
Frankfort, Kentucky

We have reviewed the accompanying financial statements of Feeding Kentucky Inc., (the "Organization"), which comprise of the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 8 to the financial statements, effective July 1, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

Blue & Co., LLC

Lexington, Kentucky

December 12, 2019

FEEDING KENTUCKY, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018 (As restated)
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash	\$ 663,623	\$ 527,315
Accounts receivable and other current assets	2,221	3,756
Grants receivable, current	100,000	100,000
Total current assets	<u>765,844</u>	<u>631,071</u>
Grants receivable, long-term	100,000	200,000
Total assets	<u>\$ 865,844</u>	<u>\$ 831,071</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 41,164	\$ 48,728
Accrued expenses	10,428	14,956
Total current liabilities	<u>51,592</u>	<u>63,684</u>
 Total liabilities	 51,592	 63,684
Net assets:		
Without donor restrictions	247,434	226,664
With donor restrictions	566,818	540,723
Total net assets	<u>814,252</u>	<u>767,387</u>
 Total liabilities and net assets	 <u>\$ 865,844</u>	 <u>\$ 831,071</u>

See accompanying notes and review report of independent accountants.

FEEDING KENTUCKY, INC.STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE AND OTHER SUPPORT			
State grant	\$ -0-	\$ 528,725	\$ 528,725
Membership dues	50,052		50,052
Corporate foundation grants	60,332	100,000	160,332
Private foundation grants		233,634	233,634
Contributions	14,347	17,430	31,777
Other income	28,436		28,436
Interest	5,047		5,047
Satisfaction of program restrictions	853,694	(853,694)	-0-
Total revenue and other support	<u>1,011,908</u>	<u>26,095</u>	<u>1,038,003</u>
EXPENSES			
Program services	958,273		958,273
Supporting services:			
General and administrative	24,433		24,433
Fundraising	8,432		8,432
Total expenses	<u>991,138</u>	<u>-0-</u>	<u>991,138</u>
Change in net assets	20,770	26,095	46,865
Net assets at beginning of year	<u>226,664</u>	<u>540,723</u>	<u>767,387</u>
Net assets at end of year	<u>\$ 247,434</u>	<u>\$ 566,818</u>	<u>\$ 814,252</u>

See accompanying notes and review report of independent accountants.

FEEDING KENTUCKY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018 (AS RESTATED)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
State grant	\$ -0-	\$ 805,899	\$ 805,899
Membership dues	50,052		50,052
Corporate foundation grants	16,536	32,500	49,036
Private foundation grants	20,000	65,648	85,648
Federal grants		400,000	400,000
Contributions	15,250	8,706	23,956
Other income	19,443		19,443
Interest	903		903
Satisfaction of program restrictions	947,831	(947,831)	-0-
Total revenue and other support	<u>1,070,015</u>	<u>364,922</u>	<u>1,434,937</u>
EXPENSES			
Program services	1,061,348		1,061,348
Supporting services:			
General and administrative	18,712		18,712
Fundraising	14,777		14,777
Total expenses	<u>1,094,837</u>	<u>-0-</u>	<u>1,094,837</u>
Change in net assets	(24,822)	364,922	340,100
Net assets at beginning of year	<u>251,486</u>	<u>175,801</u>	<u>427,287</u>
Net assets at end of year	<u>\$ 226,664</u>	<u>\$ 540,723</u>	<u>\$ 767,387</u>

See accompanying notes and review report of independent accountants.

FEEDING KENTUCKY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019 (WITH SUMMARIZED TOTALS FOR 2018)

	Program Services				General and Administration	Fundraising	2019 Totals	2018 Totals
	Kentucky Kids Eat	Farms to Food Banks	Other programs	Total Program Services				
Food purchases passed through to members	\$ -0-	\$ 550,303	\$ -0-	\$ 550,303	\$ -0-	\$ -0-	\$ 550,303	\$ 697,821
Assistance to members	-0-	78,185	10,000	88,185	-0-	-0-	88,185	107,554
Assistance to partners	49,390	-0-	-0-	49,390	-0-	-0-	49,390	24,600
Salary	36,900	73,800	36,900	147,600	13,267	4,975	165,842	154,680
Payroll taxes	2,771	5,543	2,771	11,085	996	374	12,455	12,259
Consulting and outside services	7,227	14,455	7,227	28,909	2,598	974	32,481	23,276
Employee benefits	4,506	9,012	4,506	18,024	1,620	608	20,252	21,666
Conference and travel	4,430	8,860	4,429	17,719	-0-	-0-	17,719	16,670
Membership and other fees	-0-	-0-	18,949	18,949	1,703	639	21,291	6,805
Other office expenses	458	917	458	1,833	165	62	2,060	2,055
Events and meeting supplies	99	-0-	706	805	-0-	-0-	805	449
Telephone and internet	910	1,819	909	3,638	327	123	4,088	3,271
Printing and postage	1,636	3,273	1,636	6,545	588	221	7,354	6,212
Rent	2,138	4,277	2,138	8,553	769	288	9,610	8,312
Office supplies	430	859	429	1,718	154	58	1,930	2,324
Insurance	223	445	222	890	80	30	1,000	2,081
Website and software	597	1,194	596	2,387	214	80	2,681	3,330
Professional development	795	945	-0-	1,740	69	-0-	1,809	1,282
Miscellaneous	-0-	-0-	-0-	-0-	1,883	-0-	1,883	190
	<u>\$ 112,510</u>	<u>\$ 753,887</u>	<u>\$ 91,876</u>	<u>\$ 958,273</u>	<u>\$ 24,433</u>	<u>\$ 8,432</u>	<u>\$ 991,138</u>	<u>\$ 1,094,837</u>

See accompanying notes and review report of independent accountants.

FEEDING KENTUCKY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 46,865	\$ 340,100
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Changes in:		
Accounts receivable and other current assets	1,535	(2,991)
Grants receivable	100,000	(163,000)
Accounts payable	(7,564)	19,318
Accrued expenses	(4,528)	6,118
Net cash flows from operating activities	<u>136,308</u>	<u>199,545</u>
Net change in cash	136,308	199,545
Cash at beginning of year	<u>527,315</u>	<u>327,770</u>
Cash at end of year	<u>\$ 663,623</u>	<u>\$ 527,315</u>

See accompanying notes and review report of independent accountants.

FEEDING KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Feeding Kentucky, Inc. (the "Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Nature of Activities

During the fiscal year, the Organization changed its name from Kentucky Association for Food Banks Inc. to Feeding Kentucky, Inc., effective in May 2019. The Organization was founded 2001, and is a non-profit organization dedicated to providing food and quality services to increase the capacity of Kentucky's Feeding America food banks to end hunger. The Organization has seven member food banks, who serve all 120 Kentucky counties and who collaborate with the Organization whose mission is to end hunger.

Basis of Accounting

The Organization's financial statements are prepared using the accrual method of accounting. In accordance with this method of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

Basis of Presentation

The accompanying financial statements have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

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

FEEDING KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables

Receivables at June 30, 2019 and 2018 are comprised primarily of balances due from grant agreements. Management monitors the balance on an ongoing basis and estimates that all receivables are fully collectible and no allowance for doubtful accounts is considered necessary at June 30, 2019 and 2018, respectively.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

The Organization has filed its federal and state income tax returns for periods through June 30, 2019 and is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Revenue

Membership dues are recognized as revenue in the applicable membership period. Contributions are recognized in the period received and recorded as unrestricted, temporarily restricted or permanently restricted support based on the existence and nature of any donor restrictions. Grants are recognized as revenue in the period when the award is made by the grantor and are recorded as unrestricted or temporarily restricted support based on the existence and nature of any grantor restrictions.

All other revenues are recognized when earned.

See review report of independent accountants.

FEEDING KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Functional Allocation of Expenses

The cost of providing the various programs, support and other activities has 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. The expenses that are allocated include personnel expenses, membership and other fees, telephone and internet, printing and postage, rent, website and software, which are allocated based on estimates of time and effort by personnel. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization. Although the methods used were appropriate, alternative methods may provide different results.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period one year from the date the financial statements are available to be issued.

Agency Relationships

The Organization acts in an agency capacity for its members and certain unaffiliated partner organizations. This includes the collection of cash, payment of expenses and the record keeping for fundraising events that are held during the year. In connection with these events, the Organization receives cash donations designated by the donors to be passed-through to member food banks and unaffiliated partner organizations. Monies are transferred upon the completion of such events. Any amounts that have not yet been passed through are recorded on the statement of financial position as a liability. As of June 30, 2019 and 2018, the amount not yet passed through totaled \$-0- and \$120, respectively.

Recently Issued Accounting Standards

On May 28, 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which deferred the effective date for all entities by one year. These new standards, which the Organization is not required to adopt until its year ended June 30, 2020, deal with the timing of reporting revenues from grant agreements, and disclosures related thereto.

FEEDING KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

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, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement 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 June 21, 2018, the FASB issued ASU No. 2018-08, *Accounting for Contributions Received and Contributions Made*. This new standard, which the Organization is not required to adopt until its year ending June 30, 2020, is intended to clarify and improve the scope and the accounting guidance for contributions received and made by not-for-profit organizations. This new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

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

Subsequent Events

The Organization evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 12, 2019, which is the date the financial statements are available to be issued.

2. WITH DONOR RESTRICTED NET ASSETS

With donor restricted net assets consist of the following at June 30:

	2019	2018
Kentucky Kids Eat	\$ -0-	\$ 1,099
Farms to Food Banks	394,361	354,624
KY-Grown Vegetable Incentive Program	160,610	185,000
Other	11,847	-0-
	<u>\$ 566,818</u>	<u>\$ 540,723</u>

Kentucky Kids Eat: represents donor restricted net assets to provide funds for the Kentucky Kids Eat program, which addresses issues as it relates to childhood hunger through a statewide cross-sector collaboration.

FEEDING KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

Farms to Food Banks: represents donor restricted net assets to provide funds for the Farms to Food Banks program, which reduces losses for farmers by purchasing at just below wholesale prices, and distributing it at no cost to struggling Kentuckians through the food bank network.

KY-Grown Vegetable Incentive Program (K-VIP): represents donor restricted net assets to provide funds for the K-VIP program, which is an incentive to help cover some of the costs of procuring fresh produce from Kentucky farmers.

3. CONCENTRATIONS

The Organization received 57% and 87% of its grant revenues from two grantees for the year ended June 30, 2019 and 2018, respectively. Receivables due from these grantees represent approximately 100% of the Organization's grants receivables at June 30, 2019 and 2018.

The Organization maintains its cash at financial institutions. The cash balance in the account may, at times, exceed federally insured limits. At June 30, 2019 and 2018, the Organization's uninsured balance totaled approximately \$256,000 and \$326,000, respectively.

4. RETIREMENT PLAN

The Organization sponsors a simplified employee pension plan (the "Plan") covering all eligible employees. Each year, the Organization contributes an amount equal to 5% of each employee's annual salary. The Organization contributed approximately \$6,000 and \$6,200 to the Plan for the years ended June 30, 2019 and 2018, respectively.

5. LEASE AGREEMENT

On June 1, 2017, the Organization signed a three-year lease agreement for office space calling for monthly payments for \$750 ending May 31, 2020. On October 2018, the Organization agreed to a month-to-month lease arrangement. Rent expense under this lease for the years ended June 30, 2019 and 2018, totaled \$9,610 and \$8,312, respectively. On May 29, 2019, the Organization entered into a new lease with a two-year term which began on July 1, 2019.

Future minimum lease payments under this lease are as follows for the years ended June 30:

2020	\$	10,800
2021		10,800
	\$	<u>21,600</u>

FEEDING KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

6. RELATED-PARTY TRANSACTIONS

The Organization collaborates with seven Feeding America food banks that pay member dues to the Organization. Membership dues are based on a \$2,500 base amount and the Feeding America goal factor (poverty and unemployment rates) for counties served in Kentucky. The Organization received \$50,052 in membership dues during the fiscal years ended June 30, 2019 and 2018. Food purchased for direct delivery to members totaled \$550,303 and \$697,821 for the years ended June 30, 2019 and 2018, respectively. Direct financial assistance paid to members for the years ended June 30, 2019 and 2018 totaled \$88,185 and \$107,554, respectively.

7. AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2019, the Organization had \$664,408 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditure, consisting of cash and cash equivalents of \$663,623 and receivables of \$785. The Organization's structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

8. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

Effective July 1, 2018, the Organization adopted ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. The Organization has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 7) and disclosures related to the functional allocation of expenses were expanded (Note 1).

FEEDING KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019 AND 2018

The impact of the adoption of ASU No. 2016-14 and the prior period adjustment on the Organization's net assets are as follows:

Statement of Financial Position

	As previously stated, June 30, 2018	Adjustment	As restated, June 30, 2018
Unrestricted net assets	\$ 226,664	\$ (226,664)	\$ -0-
Temporarily restricted net assets	540,723	(540,723)	-0-
Without donor restrictions	-0-	226,664	226,664
With donor restrictions	-0-	540,723	540,723
Total net assets	\$ 767,387	\$ -0-	\$ 767,387

Statement of Activities

	As previously stated, for the year-ended June 30, 2018	Adjustment	As restated, for the year-ended June 30, 2018
Change in unrestricted net assets	\$ (24,822)	\$ 24,822	\$ -0-
Change in temporarily restricted net assets	364,922	(364,922)	-0-
Change in net assets without donor restrictions		(24,822)	(24,822)
Change in net assets with donor restrictions		364,922	364,922
Total changes in net assets	\$ 340,100	\$ -0-	\$ 340,100

See review report of independent accountants.