

THE RIVER FOOD PANTRY, INC.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The River Food Pantry, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of The River Food Pantry, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, 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 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.

Auditor's 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 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 auditor's 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 The River Food Pantry, Inc. as of December 31, 2016 and 2015, 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.

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Madison, Wisconsin
March 10, 2017

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THE RIVER FOOD PANTRY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	\$ 381,625	\$ 341,656
Unemployment reserve fund	6,843	6,843
Accounts receivable	-	12,126
Prepaid expenses	4,168	11,870
Promises to give	29,818	15,683
Equipment and leasehold improvements - net	135,977	147,938
Total assets	\$ 558,431	\$ 536,116
LIABILITIES		
Accounts payable	\$ 12,375	\$ 16,418
Deferred revenue	-	1,500
Payroll liabilities	3,814	1,722
Total liabilities	16,189	19,640
NET ASSETS		
Unrestricted	542,242	516,476
Total liabilities and net assets	\$ 558,431	\$ 536,116

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Donated materials and services	\$ 4,118,403	\$ 3,645,698
Contributions	817,308	694,624
Grant income	-	13,831
Special event income	14,215	8,015
Fundraising income	9,979	11,225
Bakery income	16,858	105,601
Less cost of goods sold	(3,956)	(44,503)
Interest income	873	809
Other income	8,214	57
	<u>4,981,894</u>	<u>4,435,357</u>
EXPENSES		
Program services		
Food Pantry	4,762,446	4,228,187
Bakery	23,355	124,512
Management and general	82,105	52,949
Fundraising	88,222	57,587
	<u>4,956,128</u>	<u>4,463,235</u>
Net assets released from restrictions	<u>-</u>	<u>45,000</u>
Change in unrestricted net assets	25,766	17,122
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	<u>-</u>	<u>(45,000)</u>
Change in net assets	25,766	(27,878)
Net assets - beginning of year	<u>516,476</u>	<u>544,354</u>
Net assets - end of year	<u>\$ 542,242</u>	<u>\$ 516,476</u>

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	2016				
	Food Pantry	Bakery	Management and General	Fundraising	Total
Food pantry	\$ 3,427,064	\$ -	\$ -	\$ -	\$ 3,427,064
Clothing	826,988	-	-	-	826,988
Depreciation	18,745	-	431	431	19,607
Rent	47,284	3,563	1,088	1,088	53,023
Personnel	340,845	15,060	42,257	71,358	469,520
Utilities	28,756	-	662	662	30,080
Travel	1,999	-	240	426	2,665
Vehicles	14,156	446	1,739	2,981	19,322
Repairs and maintenance	18,795	-	432	432	19,659
Professional fees	-	2,848	31,362	-	34,210
Office and program supplies	14,900	4,940	525	620	20,985
Telephone	3,296	-	395	703	4,394
Insurance	7,853	419	942	1,257	10,471
Printing and postage	5,250	-	630	1,120	7,000
Marketing and promotion	-	35	-	7,144	7,179
Miscellaneous	6,515	-	1,402	-	7,917
Total expenses	4,762,446	27,311	82,105	88,222	4,960,084
Less expenses included with support and revenue on the statements of activities	-	(3,956)	-	-	(3,956)
Total expenses included in the expenses section on the statements of activities	\$ 4,762,446	\$ 23,355	\$ 82,105	\$ 88,222	\$ 4,956,128

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2015

	2015				
	Food Pantry	Bakery	Management and General	Fundraising	Total
Food pantry	\$ 2,924,452	\$ -	\$ -	\$ -	\$ 2,924,452
Clothing	862,586	-	-	-	862,586
Depreciation	23,409	-	539	539	24,487
Rent	46,030	27,716	1,059	1,059	75,864
Personnel	288,790	63,483	34,066	39,490	425,829
Utilities	29,545	-	680	680	30,905
Travel	1,888	-	236	830	2,954
Vehicles	10,927	2,698	1,366	2,083	17,074
Repairs and maintenance	6,209	-	143	143	6,495
Professional fees	-	19,949	11,700	-	31,649
Office and program supplies	14,315	47,633	655	1,004	63,607
Telephone	4,827	-	485	745	6,057
Insurance	5,572	1,376	696	1,062	8,706
Printing and postage	6,666	-	669	1,029	8,364
Marketing and promotion	-	4,442	-	7,923	12,365
Miscellaneous	2,971	1,718	655	1,000	6,344
Total expenses	4,228,187	169,015	52,949	57,587	4,507,738
Less expenses included with support and revenue on the statements of activities	-	(44,503)	-	-	(44,503)
Total expenses included in the expenses section on the statements of activities	\$ 4,228,187	\$ 124,512	\$ 52,949	\$ 57,587	\$ 4,463,235

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,766	\$ (27,878)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for long-term purposes	8,000	(14,200)
Depreciation	19,607	24,487
Gain on the sale of equipment	(293)	-
Donated equipment	-	(11,500)
(Increase) decrease in assets		
Unemployment reserve fund	-	(3,160)
Accounts receivable	12,126	(7,823)
Prepaid expenses	7,702	(5,082)
Promises to give	(14,135)	20,164
Increase (decrease) in liabilities		
Accounts payable	(4,043)	5,959
Deferred revenue	(1,500)	-
Payroll liabilities	2,092	1,722
Net cash flows from operating activities	<u>55,322</u>	<u>(17,311)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(8,083)	(30,263)
Proceeds from sale of equipment	730	-
Net cash flows from investing activities	<u>(7,353)</u>	<u>(30,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in equipment	<u>(8,000)</u>	<u>14,200</u>
Change in cash	39,969	(33,374)
Cash - beginning of year	<u>341,656</u>	<u>375,030</u>
Cash - end of year	<u>\$ 381,625</u>	<u>\$ 341,656</u>
SUPPLEMENTAL INFORMATION		
Noncash investing and financing transactions		
Donated equipment	\$ -	\$ 11,500

See accompanying notes.

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

The River Food Pantry, Inc. (Pantry) is a non-profit, volunteer-driven, faith-based project that provides food; hot, nutritious meals; and clothing to those in need. The Pantry treats those served with respect and builds them up through hope and encouragement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Pantry is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Pantry in perpetuity.

Accounts Receivable

The Pantry considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected. All promises to give are receivable in less than one year.

Equipment and Leasehold Improvements

Purchases of equipment and leasehold improvements in excess of \$1,000 are recorded at cost. Donations of equipment and leasehold improvements are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method.

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increase in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in 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 and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following program services are included in the accompanying financial statements:

Food Pantry—The Pantry provides a message of mercy and hope to those in need by providing food; hot, nutritious meals; and clothing to those in need.

Bakery—The Pantry brings hope of self-sufficiency and encouragement to the underemployed, unemployed and incarcerated by providing job training, mentoring and job placement into baking related positions. The Northside Planning Council in March 2016 took over the operations of the bakery and training program to continue helping those unemployed in our community gain the experience and skills to secure employment and earn a living wage.

Income Tax Status

The Pantry is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management's Review

Management has evaluated subsequent events through March 10, 2017 the date which the financial statements were available to be issued.

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Pantry maintains cash balances at one financial institution located in Madison, Wisconsin. The National Credit Union Administration insures accounts at the institution up to \$250,000. The Pantry had uninsured cash balances at December 31, 2016 and 2015 of approximately \$125,000 and \$113,000.

NOTE 3 – UNEMPLOYMENT RESERVE FUND

The Pantry has elected the reimbursement method to finance the cost of unemployment compensation benefits. Under this method, unemployment compensation expense is charged to operations when paid or when the amount of claims can be reasonably estimated. In order to guarantee payment of eligible benefits, the Treasurer of the Wisconsin Unemployment Reserve Fund requires the Pantry to have a reserve totaling \$6,843 available. The Pantry has two separate checking accounts to comply with this requirement.

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Leasehold improvements	\$ 184,130	\$ 184,130
Equipment	174,828	166,745
Vehicles	93,830	97,330
Website	8,400	8,400
Equipment and leasehold improvements	461,188	456,605
Less accumulated depreciation	325,211	308,667
Equipment and leasehold improvements - net	\$ 135,977	\$ 147,938

NOTE 5 – OPERATING LEASES

The Pantry leases food pantry and office space under a non-cancelable operating lease that expires October 2017 and requires monthly payments of \$3,890 with annual increases of 3% beginning November 2015. The Pantry has a month-to-month storage space lease that requires monthly payments of \$95. The Pantry had a month-to-month lease for the bakery that ended in March 2016 where the rent was billed in the subsequent month based on the hours used. Rent expense for 2016 and 2015 was \$53,023 and \$75,864.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Pantry during 2016 and 2015 paid Martee Mikalson, a board member, for baking training totaling \$1,092 and \$7,650.

THE RIVER FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 7 – DONATED MATERIALS AND SERVICES

The Pantry's donated materials for 2016 and 2015 consisted of the following:

	2016	2015
Food	\$ 3,272,004	\$ 2,760,261
Packaging materials	-	2,175
Clothing	826,988	862,586
Miscellaneous	1,174	14,493
Donated materials	\$ 4,100,166	\$ 3,639,515

The value of donated services included as contributions in the statements of activities and the corresponding programs and activities for which the services were used are as follows:

2016				
	Food Pantry	Management and General	Fundraising	Total
Building maintenance	\$ 7,984	\$ 184	\$ 184	\$ 8,352
Equipment repairs	3,715	85	85	3,885
Band performances	6,000	-	-	6,000
	\$ 17,699	\$ 269	\$ 269	\$ 18,237
2015				
	Food Pantry	Management and General	Fundraising	Total
Building maintenance	\$ 2,087	\$ 48	\$ 48	\$ 2,183
Band performances	4,000	-	-	4,000
	\$ 6,087	\$ 48	\$ 48	\$ 6,183

NOTE 8 – CONTINGENCY

The Pantry is involved in litigation related to an employee matter. Currently the matter is pending before the regulatory agency responsible for determining the result of the case. Due to uncertainties in the litigation process, it is not reasonably possible to estimate the cost of this matter and a liability has not been accrued in the financial statements.