

BEANS AND RICE, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Beans and Rice, Inc.

We have audited the accompanying financial statements of Beans and Rice, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities 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.

Auditor's Responsibility

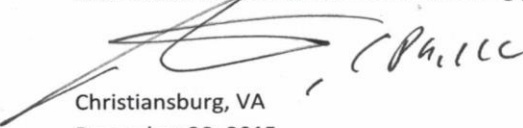
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 Beans and Rice, Inc. as of June 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.


Christiansburg, VA
December 30, 2015

BEANS AND RICE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 22,791
Grants receivable	42,671
Donations receivable (net of allowances)	4,964
Contracts receivable	35,729
Miscellaneous receivable	598
Notes receivable, current portion	7,485
Inventory	1,729
Prepaid expenses	425

Total current assets	<u>116,392</u>
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Fixed assets:

Furniture and equipment	60,144
Vehicles	12,827
Software	25,992
Less: accumulated depreciation	<u>(76,243)</u>

Total fixed assets	<u>22,720</u>
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Other assets:

Restricted cash and cash equivalents	222,910
Notes receivable, long-term portion	<u>2,920</u>

Total other assets	<u>225,830</u>
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TOTAL ASSETS	<u>\$ 364,942</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 9,689
Accrued payroll	20,701
Payroll taxes payable	4,170
Expense reimbursements payable	<u>1,446</u>

Total current liabilities	<u>36,006</u>
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Other liabilities:

Deferred revenue	<u>186,084</u>
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Total liabilities	<u>222,090</u>
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Net assets:

Unrestricted net assets:	
Undesignated	66,962
Board designated	<u>44,271</u>
Total unrestricted net assets	111,233

Temporarily restricted net assets	31,619
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Permanently restricted net assets	<u>-</u>
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Total net assets	<u>142,852</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 364,942</u>
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See accompanying notes to financial statements.

BEANS AND RICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues and reclassifications				
Donations	\$ 36,117	-	\$ -	\$ 36,117
Government contracts	121,998	-	-	121,998
Grants	129,996	35,835	-	165,831
Sales, fees, and other (net of costs)	22,917	150	-	23,067
Interest income	61	464	-	525
In-kind contributions	116,499	-	-	116,499
Assets released from restrictions:				
Restrictions satisfied by payments	15,848	(15,848)	-	-
Total public support, revenues, and reclassifications	<u>443,436</u>	<u>20,601</u>	<u>-</u>	<u>464,037</u>
Expenses				
Program services				
Accounting	500	-	-	500
Advertising	218	-	-	218
Assistance to individuals	7,601	-	-	7,601
Auto expense	2,406	-	-	2,406
Bad debt	175	-	-	175
Conferences	175	-	-	175
Donated materials and supplies	109,342	-	-	109,342
Depreciation	6,675	-	-	6,675
Dues	711	-	-	711
Employee benefits	3,619	-	-	3,619
Information technology	1,183	-	-	1,183
Insurance	500	-	-	500
Other program costs	1,245	-	-	1,245
Payroll taxes	14,501	-	-	14,501
Postage	243	-	-	243
Rent, parking, and utilities	13,488	-	-	13,488
Salaries and wages	189,558	-	-	189,558
Supplies	15,223	-	-	15,223
Staff development	1,863	-	-	1,863
Telephone and telecommunications	440	-	-	440
Travel and meetings	2,821	-	-	2,821
Volunteer support costs	1,041	-	-	1,041
Supporting services				
Management and general	58,610	-	-	58,610
Fundraising	6,980	-	-	6,980
Total expenses	<u>439,118</u>	<u>-</u>	<u>-</u>	<u>439,118</u>
Change in net assets	4,318	20,601	-	24,919
Net assets as of the beginning of the year	106,915	11,018	-	117,933
Net assets as of the end of the year	<u>\$ 111,233</u>	<u>\$ 31,619</u>	<u>\$ -</u>	<u>\$ 142,852</u>

See accompanying notes to financial statements

BEANS AND RICE, INC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 24,919
Adjustments to reconcile net assets to net cash provided by operating activities:	
Proceeds from sale of fixed asset	(750)
Depreciation	10,610
(Increase)/decrease in operating assets:	
Grants receivable	(23,600)
Donations receivable	(3,014)
Contracts receivable	(20,306)
Miscellaneous receivable	710
Notes receivables	(10,405)
Inventory	(1,729)
Prepaid expenses	436
Other assets	690
Increase/(decrease) in operating liabilities:	
Accounts payable	6,385
Accrued payroll	8,146
Payroll taxes payable	(2,748)
Reimbursements payable	349
Deferred revenue	186,084
Net cash provided by operating activities	<u>175,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of fixed asset	750
Purchase/donation of fixed assets	(8,311)
Net cash used by investing activities	<u>(7,561)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
None	-
Net cash provided by financing activities	<u>-</u>
NET INCREASE IN CASH	168,216
BEGINNING CASH	<u>77,485</u>
ENDING CASH	<u>\$ 245,701</u>

See accompanying notes to financial statements

BEANS AND RICE, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Beans and Rice, Inc. (Organization) is a tax exempt organization established for the purpose of assisting in growing capacities and assets of low to moderate income families.

B. Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

C. Property and Equipment

The Organization has adopted a capitalization policy which requires fixed assets with a useful life of greater than one year costing more than \$500 to be capitalized and depreciated. For the purpose of these financials, fixed assets have been recorded at cost if purchased or at fair market value if donated. The Organization depreciates the assets using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture	7 years
Vehicles	5 years
Intangibles	3 years

D. Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization's tax filings are subject to audit by various taxing authorities. The Organization's federal income tax returns for 2012, 2013, and 2014 remain open to examination by the Internal Revenue Service; state income returns for the same period are open to examination.

E. Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of June 30, 2015, none of the Organization's cash deposits with banks were in excess of FDIC insurance limits.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

H. Contributions

The Organization follows Generally Accepted Accounting Principles where contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions.

I. Unemployment Tax

Under the Virginia Unemployment Compensation Act, nonprofit organizations under Section 501(c)(3) of the Internal Revenue code may choose to pay unemployment insurance taxes quarterly, or to be reimbursable to the Virginia Employment Commission for benefits paid. The Organization has elected to be reimbursable for unemployment benefits and is liable for its proportionate share of such claims.

2. DONATIONS AND GRANTS RECEIVABLE

At June 30, 2015, there were outstanding receivables totaling \$83,962. The funds are expected to be received within one year, and are for general operating expenses of the Organization. They are detailed as follows:

Grants:	Community Foundation	\$	5,000
	OVCS		30,724
	United Way		4,899
		<u>\$</u>	<u>40,623</u>
Donations:	Individuals	\$	2,800
	(Less allowance for doubtful)		(559)
		<u>\$</u>	<u>2,241</u>
Contracts:	PCSB	\$	20,632
	PCBOS		5,498
	RCPS		14,370
		<u>\$</u>	<u>40,500</u>
Misc.:	Family Preservation Services	<u>\$</u>	<u>598</u>
	Total	<u>\$</u>	<u>83,962</u>

3. NOTES RECEIVABLE

Since 2009, the organization has operated a microenterprise development program in partnership with Pulaski County. The program benefits low-to-moderate income individuals by providing micro entrepreneurs and small businesses with training, technical assistance, mentoring and access to capital. Beginning in 2014, the County transferred the loan capital and any existing loans to the organization for management. This transaction had a material impact on the organization's financials and has resulted in several new assets and liabilities, as well as new policies and procedures.

The loan capital is held in a separate bank account and is restricted for servicing loans and is not available for operations. At June 30, 2015, the account reflected a balance of \$191,291. Any interest, principal and other loan fees are deposited to this account and become restricted for the purpose of servicing future loans.

There are two outstanding loans to small businesses at June 30, 2015, totaling \$10,405. Details of these two loans are as follows:

	Loan 1	Notes Receivable Loan 2	Total
Current interest rate	5%	15%	
Current portion	\$ 6,465	\$ 1,020	\$ 7,485
Long-term portion	2,920	-	2,920
Balance at June 30, 2015	<u>\$ 9,385</u>	<u>\$ 1,020</u>	<u>\$ 10,405</u>

See independent auditor's report

Total interest received from servicing these notes totaled \$452 for the year.

Management evaluates the adequacy of the allowance for doubtful collections based on historical performance, borrower repayment history and risk profile, as well as other factors such as operational efficiency, and national and local economic conditions. Management estimates the risk of default at intake and adjusts the allowance according to economic conditions, credit concentrations, and changes in the quality of the portfolio. At June 30, 2015, no allowance has been established for these loans.

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2015:

Furniture and equipment	\$	60,144
Vehicles		12,827
Intangibles (software)		25,992
Less accumulated depreciation		(76,243)
Total	\$	<u>22,720</u>

Depreciation expense for the year was \$10,610.

5. DEFERRED REVENUE

The organization considers un-deployed loan capital initially transferred from Pulaski County during the year as unearned revenue. As new loans are disbursed, the organization recognizes government grant income, and reduces the deferred revenue balance for the amount of the loans. See note 3 for more information.

6. NET ASSETS

Any operating funds restricted by the donor, grantor or other outside party for particular operating purposes are deemed expendable when the Organization has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet expendable are reported as temporarily restricted net assets. The Organization has several temporarily restricted activities, including youth IDA (Individual Development Account) funds, donations, and grants specified for food and rent. The youth IDA funds are kept in a separate bank account. The following summarizes the temporarily restricted activities for the period:

	Temporarily Restricted Activities		
	Youth IDA	Donations	Grants
Balance at June 30, 2014	\$ 7,798	\$ -	\$ 3,220
Income during the period	11	-	36,436
Expenses during the period	-	-	(15,846)
Balance at June 30, 2015	<u>\$ 7,809</u>	<u>\$ -</u>	<u>\$ 23,810</u>

The funds in the money market account have been designated by the Board for future activities. These funds consist of various unrestricted contributions over the years and are not designated for any particular purpose. The balance of these funds total \$44,271 at June 30, 2015.

7. FUND-RAISING ACTIVITIES

There were no fundraising activities during the current year.

8. DONATED GOODS AND SERVICES

Goods donated to the Organization are recorded at fair market value at the date of donation. Included in these donations is food that is distributed as part of the Organization’s programs. The fair market value of donated food is determined using either the retail price when food is donated by consumers, or by using an estimated, depreciated value based on an annual study performed by Feeding America when food that is nearing the end of its shelf life is donated by retailers. During the year ended June 30, 2015 food donations totaled approximately \$116,343. Also, intangible donations totaled \$156 for the year.

At year end, there was a balance of \$1,729 in food inventory for the Afterschool Backpack Program.

The Organization relies heavily on volunteers to carry out its programs. Volunteer services are not reflected on the financial statements because they do not meet the definitions for reportable contributed services under generally accepted accounting principles. However, because of the high volume of volunteer services that are given to the Organization each year, much of the Organizations costs are associated with recruiting, training, and managing volunteers. For managerial purposes, including cost allocations, the Organization estimates that the value of volunteer services received during the year ended June 30, 2015 was \$176,580.

9. OPERATING LEASES

The Organization has entered into multiple leasing arrangements with payments extending over the next several years. Information concerning the leases and minimum lease payments are detailed below:

Radford office (Radford)-This lease agreement began in 2010. It currently calls for monthly payments of \$800. The lease renews annually.

Pulaski office (Pulaski)-This lease agreement was entered into on August 1, 2013. It currently calls for monthly payments of \$800. The lease is renewable every 5 years. The organization purchased this building in December, 2015 and will no longer have a rent obligation after that date. See note 11 for more details.

Future minimum lease payments are as follows:

2015	\$	14,400
2016	\$	9,600
2017	\$	9,600
2018	\$	9,600
2019	\$	9,600

Rent expense for the year was \$19,200.

10. ADDITIONAL CASH FLOW INFORMATION

Cash paid for interest during the year	\$	-
Cash paid for income taxes	\$	-

11. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 30, 2015, the date the financial statements were available to be issued.

The organization purchased the building that they have been renting in Pulaski for operations at 246 N. Washington Ave. The building was purchased on December 18, 2015 for \$225,000. The seller of the building has agreed to fund the entire purchase price at 4% interest for 180 months. The monthly payment, beginning in March, 2016 will be \$1,664. The organization will continue to use this building for operations and will potentially generate rental income by renting offices in the building to other non-profit entities.