

BEANS AND RICE, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors 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, 2017, 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, 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.

Christiansburg, VA
December 22, 2017

BEANS AND RICE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 43,628
Grants receivable	22,035
Donations receivable (net of allowances)	2,289
Contracts receivable	33,826
Miscellaneous receivables	883
Notes receivable, current portion	9,804
Inventory	120
Prepaid expenses	164

Total current assets	<u>112,749</u>
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Restricted cash and cash equivalents	253,116
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Notes receivable, long-term portion (net of allowances)	32,315
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Property and equipment	212,795
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Software	20,347
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TOTAL ASSETS	<u>\$ 631,322</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 10,338
Accrued payroll	5,989
Payroll taxes payable	4,869
Security deposits	450
Expense reimbursements payable	1,074
Grants payable	15,375
Note payable, current portion	11,786

Total current liabilities	<u>49,881</u>
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Deferred revenue	133,784
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Note payable, long-term portion	198,214
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Total liabilities	<u>381,879</u>
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Net assets:

Unrestricted net assets:	
Undesignated	93,881
Board designated	43,764
Total unrestricted net assets	<u>137,645</u>

Temporarily restricted net assets	111,798
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Permanently restricted net assets	-
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Total net assets	<u>249,443</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 631,322</u>
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See accompanying notes to financial statements.

BEANS AND RICE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support, revenues and reclassifications				
Donations	\$ 32,266	\$ -	\$ -	\$ 32,266
Government contracts	95,203	-	-	95,203
Grants	144,916	83,086	-	228,002
Special events (net of costs)	8,740	-	-	8,740
Rent income	17,965	-	-	17,965
Sales, fees, and other (net of costs)	33,793	8,245	-	42,038
Interest income	46	1,745	-	1,791
In-kind contributions	64,318	-	-	64,318
Assets released from restrictions:				
Restrictions satisfied by payments	21,745	(21,745)	-	-
Total public support, revenues, and reclassifications	<u>418,992</u>	<u>71,331</u>	<u>-</u>	<u>490,323</u>
Expenses				
Program services				
Advertising	738	-	-	738
Assistance to individuals	5,617	-	-	5,617
Auto	3,644	-	-	3,644
Bad debts	7,130	-	-	7,130
Contract services	26,500	-	-	26,500
Donated materials and supplies	66,798	-	-	66,798
Depreciation	8,242	-	-	8,242
Dues	188	-	-	188
Employee benefits	3,191	-	-	3,191
Information technology	12,089	-	-	12,089
Insurance	8,746	-	-	8,746
Miscellaneous	427	-	-	427
Mortgage interest	3,891	-	-	3,891
Other program costs	4,764	-	-	4,764
Payroll taxes	11,818	-	-	11,818
Postage	239	-	-	239
Rent, parking, and utilities	10,525	-	-	10,525
Salaries and wages	154,485	-	-	154,485
Supplies	14,923	-	-	14,923
Staff development	174	-	-	174
Telephone and telecommunications	427	-	-	427
Travel and meetings	2,284	-	-	2,284
Volunteer support costs	236	-	-	236
Supporting services				
Management and general	60,759	-	-	60,759
Fundraising	8,904	-	-	8,904
Total expenses	<u>416,739</u>	<u>-</u>	<u>-</u>	<u>416,739</u>
Change in net assets	2,253	71,331	-	73,584
Net assets as of the beginning of the year	135,392	40,467	-	175,859
Net assets as of the end of the year	<u>\$ 137,645</u>	<u>\$ 111,798</u>	<u>\$ -</u>	<u>\$ 249,443</u>

See accompanying notes to financial statements

BEANS AND RICE, INC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 73,584
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	15,280
(Increase)/decrease in operating assets:	
Grants receivable	4,899
Donations receivable	1,581
Contracts receivable	2,350
Miscellaneous receivable	(660)
Notes receivables	(39,755)
Inventory	2,481
Prepaid expenses	758
Increase/(decrease) in operating liabilities:	
Accounts payable	(5,107)
Accrued payroll	(129)
Payroll taxes payable	(4,167)
Security deposits payable	450
Reimbursements payable	701
Grants payable	(29,625)
Deferred revenue	(52,300)
Net cash used by operating activities	<u>(29,659)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
None	-
Net cash provided by investing activities	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on new loans	(11,324)
Net cash used by financing activities	<u>(11,324)</u>
NET DECREASE IN CASH	(40,983)
BEGINNING CASH	<u>337,727</u>
ENDING CASH	<u>\$ 296,744</u>
ADDITIONAL CASH FLOW INFORMATION:	
Cash paid for interest during the year	\$ 8,647
Cash paid for income taxes	\$ -

See accompanying notes to financial statements

BEANS AND RICE, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

1. ORGANIZATION AND NATURE OF ACTIVITIES

Beans and Rice, Inc. (The Organization), a nonprofit corporation, was chartered in the state of VA in 1997. The Organization's primary program activities are to improve the well-being of low to moderate income families through hunger relief, after-school programs for children, job creation, and savings programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Statement Presentation

The organization is required to report information regarding its financial position and activities according to the following three types of net assets:

Unrestricted Net Assets-Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets-Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, or by passage of time.

Permanently Restricted Net Assets-Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

B. Estimates

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

C. 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.

D. Contributed Goods and Services

Significant donated goods are recorded at their estimated fair values at the date of receipt, and are reflected in the financial statements as both in-kind contributions and either assets or expenses, depending on the nature of the contributions.

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

See Note 11 for more information on contributed goods and services.

E. Property and Equipment

The Organization capitalizes property and equipment over \$500, with lesser amounts being expensed. For the purpose of these financials, property and equipment has 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
Buildings	40 years
Building improvements	40 years

F. 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.

G. Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

H. Advertising Expense

All advertising costs are expensed during the period in which they are occurred.

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.

3. CASH AND CASH EQUIVALENTS

At June 30, 2017, there are several bank accounts that are restricted in natural and are therefore not reported as current assets. They are still included on the statement of cash flows since they are considered cash and cash equivalents (see note 2). The restricted cash accounts are detailed as follows:

Restricted for grants and youth IDA activity	\$	54,324
Restricted for micro loans (see note 5)		155,028
Designated by board		43,764
	\$	<u>253,116</u>

4. DONATIONS AND GRANTS RECEIVABLE

At June 30, 2017, there were outstanding receivables totaling \$58,134. 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:	OVCS	\$	10,455
	PCSB		4,080
	Radford City		7,500
		\$	<u>22,035</u>
Donations:	Individuals	\$	1,000
	United Way		3,387
	(Less allowance for doubtful)		(2,098)
		\$	<u>2,289</u>

Contracts:	PCSB	\$	14,853
	RCPS		15,164
	Other		3,809
			<u>33,826</u>
Misc.:	Fees receivable	\$	225
	Interest receivable		405
	Other		253
			<u>883</u>
	Total	\$	<u><u>59,033</u></u>

5. 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.

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, 2017, the account reflected a balance of \$155,028. Any interest, principal and other loan fees are deposited to this account and become restricted for the purpose of servicing future loans.

There are four outstanding small business loan at June 30, 2017, totaling \$49,249. Details of the loan activities for the year is as follows:

Balance, beginning of year	\$	2,364
Net change		46,885
Balance, end of year		<u>49,249</u>
Less, allowance		(7,130)
	\$	<u><u>42,119</u></u>

Total interest received from servicing these notes totaled \$1,745 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, 2017, one of the four outstanding loans is in arrears and the borrower no longer has ownership of some of the collateral. Due to these circumstances, an allowance of \$7,130 has been established for these loans.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Buildings	\$	228,287
Furniture and equipment		68,360
Vehicles		15,413
Less accumulated depreciation		(99,265)
Total	\$	<u><u>212,795</u></u>

Depreciation expense for the year was \$8,394.

7. DEFERRED REVENUE

The Organization reports undeployed loan capital from Pulaski County as deferred revenue. As new loans are disbursed to recipients, the Organization recognizes government grant income, and reduces the deferred revenue balance for the amount of the loans. See note 5 for more information on these loans. Also included in deferred revenue at year end is prepaid rental income. The following details the balance at June 30, 2017:

Undeployed loan capital	\$	132,884
Prepaid rent income		900
	\$	<u>133,784</u>

8. NOTES PAYABLE

The Organization purchased a building during the previous year, located at 246 N Washington Ave in Pulaski, VA. Part of this building serves as the Pulaski office, while the remaining suites are rented to other non-profit organizations. A mortgage was taken against the building at the time of purchase.

The loan proceeds totaled \$225,000 and is to be repaid over 15 years. The note is payable in monthly installments of \$1,664, with an annual interest rate of 4%. The note is secured by the building. The following details the note activity for the year:

Balance at June 30, 2016	\$	221,324
Principle payments during the year		<u>(11,324)</u>
Balance at June 30, 2017	\$	<u>210,000</u>

Future scheduled maturities of long-term debt are as follows:

Years ending June 30:	
2018	11,786
2019	12,267
2020	12,766
2021	13,286
2022	<u>13,828</u>
	<u>\$ 63,933</u>

Total interest paid on the note totaled \$8,647 for the year.

9. 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 following summarizes the temporarily restricted activities for the period:

	Temporarily Restricted Activities		
	Youth IDA	Micro Loans	Grants
Balance at June 30, 2016	\$ 7,820	\$ 13,958	\$ 18,695
Income during the year	5,000	9,992	78,078
Expenses during the year	-	-	<u>(21,745)</u>
Balance at June 30, 2017	<u>\$ 12,820</u>	<u>\$ 23,950</u>	<u>\$ 75,028</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 \$43,764 at June 30, 2017.

See independent auditor's report

10. FUND-RAISING ACTIVITIES

Proceeds and donations from fund-raising activities are detailed as follows:

Empty Bowls	\$	1,610
Launch Something Pulaski		720
GiveBigNRV		6,410
	<u>\$</u>	<u>8,740</u>

11. 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, 2017 food donations totaled approximately \$64,318.

At year end, there was a balance of \$120 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 Organization's 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, 2017 was \$246,282.

12. RENT INCOME

The Organization rents several suites to other nonprofit organizations in the building that was purchased during the previous year (see note 7). Total rent income for the year was \$17,965.

13. OPERATING LEASES

The Organization entered into a leasing arrangement for its Radford location in 2010. The lease calls for monthly payments of \$800, and is currently month-to-month.

Future minimum lease payments are as follows:

Years ending June 30:

2017	\$	9,600
2018	\$	9,600
2019	\$	9,600
2020	\$	9,600
2021	\$	9,600

Rent expense for the year totaled \$9,600.

14. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 22, 2017, the date the financial statements were available to be issued.

15. UNINSURED CASH BALANCES

The Organization's cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2017, \$43,538 of the Organization's cash deposits with banks were in excess of FDIC insurance limits.

See independent auditor's report