

Montana Food Bank Network

Audited Financial Statements

Years Ended June 30, 2016 and 2015



Junkermier • Clark

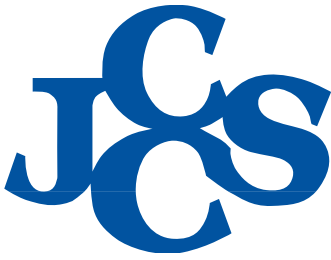
Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

Montana Food Bank Network

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Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Montana Food Bank Network
Missoula, Montana

We have audited the accompanying financial statements of Montana Food Bank Network (a nonprofit corporation), which comprise the statements of financial position as of June 30, 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 the 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 the financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Montana Food Bank Network, as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
August 22, 2016

**Montana Food Bank Network
Statements of Financial Position
June 30, 2016 and 2015**

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 1,425,652	\$ 1,121,462
Accounts receivable	48,370	39,154
Grants receivable	27,661	21,333
Pledges receivable	5,000	-
Inventories	677,708	666,828
Prepaid expenses	24,735	18,699
Total current assets	2,209,126	1,867,476
Property and equipment, net	1,432,260	1,435,342
Investments	578,855	596,980
Total assets	\$ 4,220,241	\$ 3,899,798
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 62,852	\$ 99,321
Accrued liabilities	37,801	30,457
Notes payable, current	3,819	-
Mortgages payable, current	24,944	23,741
Total current liabilities	129,416	153,519
Long-term liabilities		
Notes payable, net of current portion	11,811	-
Mortgages payable, net of current portion	221,456	246,535
Total long-term liabilities	233,267	246,535
Total liabilities	362,683	400,054
Net assets		
Unrestricted	3,641,638	3,317,599
Temporarily restricted	215,920	182,145
Total net assets	3,857,558	3,499,744
Total liabilities and net assets	\$ 4,220,241	\$ 3,899,798

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

**Montana Food Bank Network
Statement of Activities
For the Year Ended June 30, 2016**

	<u>Unrestricted Activities</u>	<u>Temporarily Restricted Activities</u>	<u>Total</u>
Public support and revenue			
Public support			
Value of donated food	\$ 10,559,984	\$ -	\$ 10,559,984
Contributions	1,390,681	16,777	1,407,458
Contributions - in-kind	49,412	-	49,412
Grants	436,923	365,092	802,015
Special events	263,253	17,025	280,278
Net assets released from restriction	<u>365,119</u>	<u>(365,119)</u>	<u>-</u>
Total public support	13,065,372	33,775	13,099,147
Revenue			
Shared maintenance fees	113,313	-	113,313
Partnership food sales	944,496	-	944,496
Other revenue	<u>(3,925)</u>	<u>-</u>	<u>(3,925)</u>
Total revenue	<u>1,053,884</u>	<u>-</u>	<u>1,053,884</u>
Total public support and revenue	14,119,256	33,775	14,153,031
Expenses			
Program services			
Value of donated food distributed	10,645,704	-	10,645,704
Food distribution	2,060,622	-	2,060,622
Public policy	<u>148,419</u>	<u>-</u>	<u>148,419</u>
Total program services	12,854,745	-	12,854,745
Support services			
Administration	161,485	-	161,485
Fundraising	<u>778,987</u>	<u>-</u>	<u>778,987</u>
Total support services	<u>940,472</u>	<u>-</u>	<u>940,472</u>
Total program and support services	<u>13,795,217</u>	<u>-</u>	<u>13,795,217</u>
Change in net assets	324,039	33,775	357,814
Net assets - beginning of year	<u>3,317,599</u>	<u>182,145</u>	<u>3,499,744</u>
Net assets - end of year	<u>\$ 3,641,638</u>	<u>\$ 215,920</u>	<u>\$ 3,857,558</u>

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

**Montana Food Bank Network
Statement of Activities
For the Year Ended June 30, 2015**

	Unrestricted Activities	Temporarily Restricted Activities	Total
Public support and revenue			
Public support			
Value of donated food	\$ 10,221,442	\$ -	\$ 10,221,442
Contributions	1,461,265	18,128	1,479,393
Contributions - in-kind	2,488	-	2,488
Grants	420,623	342,900	763,523
Special events	128,697	21,000	149,697
Net assets released from restriction	376,966	(376,966)	-
Total public support	12,611,481	5,062	12,616,543
Revenue			
Shared maintenance fees	186,944	-	186,944
Partnership food sales	636,068	-	636,068
Other revenue	15,663	-	15,663
Total revenue	838,675	-	838,675
Total public support and revenue	13,450,156	5,062	13,455,218
Expenses			
Program services			
Value of donated food distributed	10,230,565	-	10,230,565
Food distribution	1,868,623	-	1,868,623
Public policy	144,635	-	144,635
Total program services	12,243,823	-	12,243,823
Support services			
Administration	149,362	-	149,362
Fundraising	849,122	-	849,122
Total support services	998,484	-	998,484
Total program and support services	13,242,307	-	13,242,307
Change in net assets	207,849	5,062	212,911
Net assets - beginning of year	3,109,750	177,083	3,286,833
Net assets - end of year	\$ 3,317,599	\$ 182,145	\$ 3,499,744

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

**Montana Food Bank Network
Statement of Functional Expenses
For the Year Ended June 30, 2016**

	<u>Food Distribution</u>	<u>Public Policy</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Value of donated food distributed	\$ 10,645,704	\$ -	\$ -	\$ -	\$ 10,645,704
Cost of food delivered	1,271,535	-	-	-	1,271,535
Salaries	325,257	92,406	82,300	176,806	676,769
Payroll taxes	44,115	9,971	9,625	19,998	83,709
Employee benefits	31,378	10,520	6,695	15,117	63,710
Training	9,436	6,058	11,780	3,349	30,623
Travel	16,719	10,523	4,392	2,339	33,973
Supplies	13,752	2,364	2,121	8,329	26,566
Printing and publications	156	3,029	9	314,587	317,781
Postage and delivery	1,267	1,307	1,093	81,070	84,737
Telephone	5,564	1,099	708	1,699	9,070
Advertising	-	2,400	-	4,686	7,086
Contract services	8,977	646	12,622	126,617	148,862
Professional fees	4,285	-	16,730	-	21,015
Conference and meeting costs	2,612	1,227	126	149	4,114
Agency grants	24,623	-	-	-	24,623
Insurance	16,575	1,497	3,238	2,978	24,288
Dues and subscriptions	9,885	237	1,386	3,046	14,554
Utilities	29,739	986	336	1,328	32,389
Equipment purchases	1,300	862	405	471	3,038
Depreciation	150,566	2,522	6,696	8,443	168,227
Repairs and maintenance	50,778	430	395	896	52,499
Fuel, oil, and gas	31,589	-	-	13	31,602
Interest	10,392	288	120	357	11,157
Bank and finance charges	78	39	118	6,690	6,925
Other	44	8	590	19	661
	<u>44</u>	<u>8</u>	<u>590</u>	<u>19</u>	<u>661</u>
Total expenses	<u>\$ 12,706,326</u>	<u>\$ 148,419</u>	<u>\$ 161,485</u>	<u>\$ 778,987</u>	<u>\$ 13,795,217</u>
Percentage of total expenses	92.1 %	1.1 %	1.2 %	5.6 %	100 %

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

**Montana Food Bank Network
Statement of Functional Expenses
For the Year Ended June 30, 2015**

	<u>Food Distribution</u>	<u>Public Policy</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Value of donated food distributed	\$ 10,230,565	\$ -	\$ -	\$ -	\$ 10,230,565
Cost of food delivered	1,034,611	-	-	24	1,034,635
Salaries	321,250	97,463	81,187	169,662	669,562
Payroll taxes	39,485	10,385	8,435	16,643	74,948
Employee benefits	37,191	7,812	7,420	15,219	67,642
Training	7,068	2,346	6,223	2,141	17,778
Travel	7,879	3,788	2,206	2,935	16,808
Supplies	12,228	2,074	1,774	7,991	24,067
Printing and publications	467	6,712	68	390,871	398,118
Postage and delivery	1,488	2,157	1,033	96,971	101,649
Telephone	6,484	1,497	889	1,377	10,247
Advertising	-	2,492	-	1,858	4,350
Contract services	63,473	1,097	16,747	121,181	202,498
Professional fees	-	-	14,235	-	14,235
Conference and meeting costs	2,844	1,697	575	207	5,323
Agency grants	21,895	-	-	-	21,895
Insurance	15,956	1,404	2,896	4,780	25,036
Dues and subscriptions	10,289	399	890	2,081	13,659
Utilities	29,094	958	324	962	31,338
Equipment purchases	3,232	445	1,012	419	5,108
Depreciation	163,791	1,190	2,218	4,679	171,878
Repairs and maintenance	40,139	479	270	570	41,458
Fuel, oil, and gas	38,348	-	-	19	38,367
Interest	11,387	240	120	240	11,987
Bank and finance charges	14	-	27	8,292	8,333
Other	10	-	813	-	823
	<u>10</u>	<u>-</u>	<u>813</u>	<u>-</u>	<u>823</u>
Total expenses	<u>\$ 12,099,188</u>	<u>\$ 144,635</u>	<u>\$ 149,362</u>	<u>\$ 849,122</u>	<u>\$ 13,242,307</u>
Percentage of total expenses	91.4 %	1.1 %	1.1 %	6.4 %	100 %

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

Montana Food Bank Network
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 357,814	\$ 212,911
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	168,227	171,878
Loss on disposal of assets	8,869	607
Unrealized loss on investments	30,851	3,143
Changes in operating assets and liabilities		
Receivables	(20,544)	(33,208)
Inventories	(10,880)	(43,842)
Prepaid expenses	(6,036)	(10,231)
Accounts payable	(36,469)	23,172
Accrued liabilities	7,344	8,591
	<u>499,176</u>	<u>333,021</u>
Cash flows from investing activities		
Purchase of property and equipment	(157,807)	(66,069)
Proceeds from sales of property and equipment	-	800
Net (purchases) of investments and reinvestments	<u>(12,726)</u>	<u>(600,000)</u>
	<u>(170,533)</u>	<u>(665,269)</u>
Cash flows from financing activities		
Payments on long-term debt	<u>(24,453)</u>	<u>(22,937)</u>
	<u>(24,453)</u>	<u>(22,937)</u>
Net change in cash	304,190	(355,185)
Cash and cash equivalents - beginning of year	<u>1,121,462</u>	<u>1,476,647</u>
Cash and cash equivalents - end of year	<u>\$ 1,425,652</u>	<u>\$ 1,121,462</u>
<u>Non-Cash Investing and Financing Activities</u>		
Debt financed purchase of property and equipment	<u>\$ 16,207</u>	<u>\$ -</u>
<u>Supplemental Disclosures</u>		
Cash paid for interest	<u>\$ 11,157</u>	<u>\$ 11,987</u>

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

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

Organization

The Montana Food Bank Network, Inc. ("MFBN") ("the Organization") is a nonprofit, tax-exempt section 501(c)(3) organization whose vision is building a unified force to address hunger in Montana. The mission of MFBN is working to eliminate hunger in Montana through food acquisition and distribution, education and advocacy. The Organization acts to accomplish its mission by soliciting, warehousing and transporting and distributing food to charitable programs that directly serve needy families, children and seniors in the State of Montana. The Organization partners with over 150 agencies across the State of Montana which includes community operated food banks, food pantries, soup kitchens, senior centers, day care centers, rehabilitation facilities and group homes. MFBN coordinates the hunger-relief work of its Partner Agencies through promoting hunger awareness in Montana, maintenance of publications and resources, facilitating a state-wide system for the transportation and storage of food, and providing education on hunger-related issues. The following are the major programs of the Organization.

Food Distribution - MFBN solicits food donations from the food industry, Feeding America, Montana retailers and wholesalers, and produce recovery efforts through statewide and regional farmers. The Organization is contracted by the U.S. Department of Agriculture and the State of Montana to warehouse and distribute The Emergency Food Assistance Program ("TEFAP") commodity food. The Organization also purchases food with grant and donated funds at wholesale cost for benefit of its Partner Agencies. Donated, commodity and purchased food is then transported, warehoused and distributed to charitable programs that directly serve needy people throughout all 56 counties in the State of Montana.

Complimentary to its Food Distribution model, MFBN also fights hunger by providing a Mobile Food Pantry that distributes food to unserved and underserved communities in Montana. In an effort to combat childhood hunger, the Organization has begun a Backpack Program in local area counties to provide healthy food that income-qualified students at risk of hunger can take home and eat over the weekend and during school holidays.

Public Policy Program - MFBN promotes sustainable solutions to hunger and works to address long-term chronic hunger issues. The Organization aims to improve access to adequate nutrition among Montanans with limited income by increasing awareness about and access to public nutrition programs through application assistance workshops, community meetings and working with those interested in applying. The Organization also collects and monitors data on hunger, food insecurity, and access to affordable healthy food. The Organization promotes public awareness and encourages Montanans to make the hunger issue a priority by establishing an ongoing dialogue about ways to end hunger in our communities. MFBN's Food Security Council ("the Council") provides a forum for discussion and sharing best practices among anti-hunger leaders. The Council serves to identify barriers that create food insecurity, gaps in services, and the need for program development throughout the state.

Basis of Accounting

The Organization's financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (Continued)

Classification of Net Assets

The financial statement presentation follows the recommendation of Financial Accounting Standards Board Accounting Standards Codification 958, *Not for Profit Entities* (FASB ASC 958). Under ASC 958, MFBN is required to report information regarding its financial information and activities according to three classes of net assets: unrestricted net assets, which represent the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represent resources restricted by donors as to purpose or by passage of time; and permanently restricted net assets, which represent resources whose use by MFBN is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MFBN. The Organization presently has no permanently restricted net assets.

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 may differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains various accounts at local banks that are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization's bank accounts may exceed the FDIC limits at various times during the year. The Organization believes they are not exposed to any significant credit risk on cash balances.

Investments

Investments are composed of money market funds, common stock, and bonds purchased through and held by a third party investment manager and are reported at fair value based on quoted market prices. Interest and dividend income, as well as net gains and losses on these investments are included in other income. The Organization determined the fair value of its investments through the application of FASB ASC 820, *Fair Value Measurements and Disclosures* as discussed in Note 3.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts and Grants Receivable

The Organization uses the allowance method for uncollectible receivables. Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off. Bad debts of zero were recorded during the years ended June 30, 2016 and 2015, respectively. Management estimates the allowance for doubtful accounts to be zero at June 30, 2016 and 2015.

Inventory

Inventories consist of food that has been donated or purchased during the current year and has not yet been distributed. In accordance with Feeding America's Product Valuation Survey, donated inventory items are valued at \$1.67 and \$1.70 per pound as of June 30, 2016 and 2015, respectively.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost at the date of purchase or fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which ranges from 5-7 years for equipment to 39 years for buildings. The Organization capitalizes all expenditures for property and equipment equal to or greater than \$3,000 and having a useful life exceeding one year.

Donated Goods and Services

MFBN reports gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and, shortly thereafter, as an expense when granted to MFBN agencies.

In addition, many individuals and organizations have made in-kind donations or volunteered their services to MFBN. Accounting principles generally accepted in the United States of America requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind donations consisting of donated printing and other qualifying services were \$49,412 and \$2,488 for the years ended June 30, 2016 and 2015, respectively.

Additionally, many individuals volunteer their time and skills to perform a variety of tasks that assist MFBN, but these services do not meet the criteria for recognition as contributed services. The estimated value of services that do not meet the criteria for recognition was \$72,562 and \$154,037 for the years ended June 30 2016 and 2015, respectively.

Contributions and Pledges

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. Contributions, including unconditional pledges, are recognized in the period received. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

The Organization receives grants from the Federal and State governments that are conditioned upon MFBN incurring certain qualifying costs. These grants are considered to be conditional promises to give and therefore are recognized as unrestricted revenue as those costs are incurred.

Advertising Costs

The Organization expenses non-direct response advertising costs as incurred.

Income Taxes

The Organization has implemented FASB ASC 740-10. ASC 740-10 addresses the accounting for uncertainties in income taxes recognized by an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The determination of tax exempt status is considered to be a tax position taken with respect to the provisions of ASC 740-10.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes - Continued

The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Organization has no uncertain tax positions that would be subject to recognition under ASC 740-10.

Functional Allocation of Expenses

The costs of providing various programs and activities are summarized on a functional basis in the statement of activities. Certain administrative and other costs have been allocated among the programs based on specific identification or based on estimates of the expenses incurred. The primary activity groups and their related purposes are summarized as follows:

Administrative Expenses - Expenses which allow MFBN to operate and provide services to clients, but are not directly attributable to client services.

Program Services - Expenses which are associated with food distribution, education, and outreach activities.

Fundraising Expenses - Provides for direct mail fundraising and low-cost supplies and services for special events and activities designed to create public awareness and support for hunger-related issues.

2. Investments

Investments are maintained in custodial accounts with an investment firm. The cost basis and market value of investments held are as follows at June 30:

	2016		2015	
	Basis	Market	Basis	Market
Interest bearing cash	\$ 22,128	\$ 22,128	\$ 343,951	\$ 343,951
Common stock	406,785	377,893	162,099	160,668
Bonds	143,189	142,256	77,830	77,607
Alternative investments	<u>34,969</u>	<u>36,578</u>	<u>14,976</u>	<u>14,754</u>
Total Investments	<u>\$ 607,071</u>	<u>\$ 578,855</u>	<u>\$ 598,856</u>	<u>\$ 596,980</u>

The components of investment income (loss) are as follows for the years ended June 30:

	2016	2015
Interest and dividends	\$ 18,205	\$ 743
Net gains and losses, realized and unrealized	(30,851)	(1,876)
Investments fees	(5,082)	(1,304)
Investment income (loss), net	<u>\$ (17,728)</u>	<u>\$ (2,437)</u>

In April 2015, the Organization moved its investment portfolio to a new investment advisor. As such, investment fees were only incurred for three months during the year ended June 30, 2015.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

3. Fair Value Measurements

The Financial Accounting Standards Board developed the Accounting Standards Codification 820, *Fair Value Measurements*, to establish a framework for measuring fair value. That framework provides 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 or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under the “Fair Value Measurements” guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include (1) quoted prices for similar assets in active markets (2) quoted prices for identical or similar assets in inactive markets (3) inputs other than quoted market prices that are observable from the asset (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets itemized below were measured at fair value during the year ended using the market approach. There have been no changes in the methodologies used at June 30, 2016. The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016 and 2015.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2016				
Interest bearing cash	\$ 22,128	\$ 22,128	\$ -	\$ -
Common stock	377,893	377,893	-	-
Bonds	142,256	142,256	-	-
Alternative investments	<u>36,578</u>	<u>36,578</u>	-	-
 Total Investments	 <u>\$ 578,855</u>	 <u>\$ 578,855</u>	 <u>\$ -</u>	 <u>\$ -</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2015				
Interest bearing cash	\$ 343,951	\$ 343,951	\$ -	\$ -
Common stock	160,668	160,668	-	-
Bonds	68,669	68,669	-	-
Alternative investments	<u>23,692</u>	<u>23,692</u>	-	-
 Total Investments	 <u>\$ 596,980</u>	 <u>\$ 596,980</u>	 <u>\$ -</u>	 <u>\$ -</u>

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4. Grants Receivable

The following is a schedule detailing the balance of grants receivable at June 30:

	<u>2016</u>	<u>2015</u>
Montana State DPHHS		
TANF Food Revenue	\$ 13,239	\$ 3,649
House Bill #2: Transportation Assistance Grant	2,716	3,222
Supplemental Nutrition Assistance Program	3,535	-
United States Department of Agriculture		
Emergency Food Assistance Program	<u>8,171</u>	<u>14,462</u>
 Total grants receivable	 <u>\$ 27,661</u>	 <u>\$ 21,333</u>

The balance of grants receivable at June 30, 2016 and 2015 are expected to be collected within one year.

5. Conditional Grants Receivable

MFBN had the following conditional grants receivable that are not recognized as assets in the statement of financial position at June 30, 2016 and 2015. The grants are reimbursement based contracts that are conditional upon related expenditures being made.

	<u>2016</u>	<u>2015</u>
Montana State DPHHS		
Award "Emergency Food Assistance Program"	<u>\$ 20,385</u>	<u>\$ 41,332</u>

6. Property and Equipment

Property and equipment consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 67,500	\$ 67,500
Buildings	1,221,245	1,221,245
Building improvements	310,668	277,068
Machinery and equipment	868,473	861,492
Computer equipment and software	211,802	151,152
Construction in progress	<u>3,583</u>	<u>-</u>
	2,683,271	2,578,457
 Less accumulated depreciation	 <u>(1,251,011)</u>	 <u>(1,143,115)</u>
 Total	 <u>\$ 1,432,260</u>	 <u>\$ 1,435,342</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$168,227 and \$171,878, respectively.

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7. Employee Benefit Plan

Prior to 2015, Montana Food Bank Network employees participated in an Internal Revenue Code Section 403(b) Defined Contribution Retirement Plan. The 403(b) plan was discontinued in January 2015 and all plan assets were distributed to participant individual retirement accounts under a SIMPLE IRA Plan. Under the terms of the SIMPLE IRA Plan, the employer will match up to 3% of eligible employee contributions. During the years ended June 30, 2016 and 2015, Montana Food Bank Network made matching contributions of \$18,670 and \$8,889, respectively. Matching contributions for the year ended June 30, 2015 did not begin until the SIMPLE IRA Plan was established in January 2015.

8. Line of Credit

MFBN has one line of credit with a local bank which provides borrowings up to a maximum of \$50,000, at a rate of 4.50% and matures in August 2017. As of June 30, 2016 and 2015, the line of credit had no outstanding balance.

9. Notes and Mortgages Payable

Notes and mortgages payable were as follows at June 30:

	<u>2016</u>	<u>2015</u>
Note payable to First Security Bank due November 2024, with interest at 4.25%, monthly payments of \$2,910; secured by building and land.	\$ 246,400	\$ 270,276
Note payable to TD Auto Finance due April 2020, with interest at 4.47%, monthly payments of \$370.	<u>15,630</u>	<u>-</u>
Total notes and mortgages payable	262,030	270,276
Less current portion	<u>(28,763)</u>	<u>(23,741)</u>
Notes and mortgages payable, net	<u>\$ 233,267</u>	<u>\$ 246,535</u>

The aggregate annual maturities of long-term debt as of June 30, 2016 are as follows:

2017	\$ 28,763
2018	30,003
2019	31,313
2020	31,938
2021	29,539
Thereafter	<u>110,474</u>
	<u>\$ 262,030</u>

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10. Net Assets

Restrictions on net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Public policy and advocacy support	\$ -	\$ 39,129
Restricted for vehicle, building, and equipment	31,935	51,221
Food distribution support	76,736	59,490
Backpack program	<u>107,249</u>	<u>32,305</u>
Total temporarily restricted net assets	<u>\$ 215,920</u>	<u>\$ 182,145</u>

11. Subsequent Events

The organization has evaluated subsequent events through August 22, 2016, the date on which the financial statements were available to be issued.