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April 2, 2018

Board of Directors  
Food Bank of Northwest Indiana, Inc.  
2248 W. 35th Avenue  
Gary, IN 46408

We have reviewed the report prepared by Food Bank of Northwest Indiana, Inc. and opined upon by McMahon and Associates CPAs, PC, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Food Bank of Northwest Indiana, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, McMahon and Associates CPAs, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

FOOD BANK OF  
NORTHWEST INDIANA, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative totals for 2014)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Food Bank of Northwest Indiana, Inc.  
Gary, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Food Bank of Northwest Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Food Bank of Northwest Indiana, Inc., as of December 31, 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.

## Report on Summarized Comparative Information

We have previously audited the Food Bank of Northwest Indiana, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2016, on our consideration of Food Bank of Northwest Indiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Food Bank of Northwest Indiana, Inc.'s internal control over financial reporting and compliance.



McMahon and Associates Certified Public Accountants, P.C.  
Munster, Indiana

April 7, 2016

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Food Bank of Northwest Indiana, Inc.  
Gary, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Food Bank of Northwest Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Food Bank of Northwest Indiana, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of Northwest Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food Bank of Northwest Indiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McMahon and Associates Certified Public Accountants, P.C.  
Munster, Indiana

April 7, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

To the Board of Directors  
Food Bank of Northwest Indiana, Inc.  
Gary, Indiana

Report on Compliance for Each Major Federal Program

We have audited Food Bank of Northwest Indiana, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Food Bank of Northwest Indiana, Inc.'s major federal programs for the year ended December 31, 2015. Food Bank of Northwest Indiana, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Food Bank of Northwest Indiana, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Food Bank of Northwest Indiana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Food Bank of Northwest Indiana, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Food Bank of Northwest Indiana, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## Report on Internal Control of Compliance

Management of Food Bank of Northwest Indiana, Inc is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Food Bank of Northwest Indiana, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Food Bank of Northwest Indiana, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



McMahon and Associates Certified Public Accountants, P.C.  
Munster, Indiana

April 7, 2016

FOOD BANK OF NORTHWEST INDIANA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

(With comparative totals for December 31, 2014)

ASSETS

|                               | <u>2015</u>             | <u>2014</u>             |
|-------------------------------|-------------------------|-------------------------|
| <u>CURRENT ASSETS:</u>        |                         |                         |
| Cash and cash equivalents     | \$ 823,437              | \$ 760,390              |
| Accounts receivable           | 84,424                  | 83,401                  |
| Prepaid expenses              | 19,402                  | 18,175                  |
| Inventory                     | 285,847                 | 89,700                  |
| Total current assets          | <u>1,213,110</u>        | <u>951,666</u>          |
| <br><u>FIXED ASSETS (NET)</u> | <br><u>470,346</u>      | <br><u>335,325</u>      |
| <br><u>TOTAL ASSETS</u>       | <br><u>\$ 1,683,456</u> | <br><u>\$ 1,286,991</u> |

LIABILITIES AND NET ASSETS

|   |                         |                         |
|---|-------------------------|-------------------------|
| <u>CURRENT LIABILITIES:</u>                 |                         |                         |
| Accounts payable                            | \$ 81,130               | \$ 29,278               |
| Accrued payroll and payroll taxes           | 35,339                  | 47,370                  |
| Total current liabilities                   | <u>116,469</u>          | <u>76,648</u>           |
| <br><u>NET ASSETS:</u>                      |                         |                         |
| Unrestricted                                | 1,010,893               | 679,541                 |
| Unrestricted - board designated             | 371,626                 | 240,000                 |
| Temporarily restricted                      | 184,468                 | 290,802                 |
| Total net assets                            | <u>1,566,987</u>        | <u>1,210,343</u>        |
| <br><u>TOTAL LIABILITIES AND NET ASSETS</u> | <br><u>\$ 1,683,456</u> | <br><u>\$ 1,286,991</u> |

FOOD BANK OF NORTHWEST INDIANA, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative totals for the year ended December 31, 2014)

|  | 2015         |                           |              | 2014         |
|--|--------------|---------------------------|--------------|--------------|
|  | Unrestricted | Temporarily<br>Restricted | Total        | Total        |
| <u>REVENUE, GAINS AND OTHER SUPPORT:</u>                                       |              |                           |              |              |
| Contributions - food   | \$ 6,644,933 | \$ 0                      | \$ 6,644,933 | \$ 6,437,535 |
| Contributions - commodities  | 2,546,133    | 0                         | 2,546,133    | 2,412,439    |
| Contributions  | 1,113,670    | 55,307                    | 1,168,977    | 1,348,431    |
| Purchased food program   | 210,859      | 0                         | 210,859      | 201,009      |
| Program revenue  | 62,759       | 0                         | 62,759       | 61,814       |
| Grant revenue  | 319,823      | 257,433                   | 577,256      | 512,443      |
| Special events   | 95,665       | 67,533                    | 163,198      | 165,633      |
| Interest income  | 1,984        | 0                         | 1,984        | 532          |
| In-kind donations  | 10,706       | 0                         | 10,706       | 10,496       |
| Miscellaneous income   | 10,052       | 0                         | 10,052       | 2,850        |
| Loss on disposal of assets   | 6            | 0                         | 6            | (2,956)      |
| Total revenues, gains and other support<br>prior to release from restrictions: | 11,016,590   | 380,273                   | 11,396,863   | 11,150,226   |
| Net assets released from restrictions:   |              |                           |              |              |
| Satisfaction of program restrictions   | 486,607      | (486,607)                 | 0            | 0            |
| Total revenues, gains and other support  | 11,503,197   | (106,334)                 | 11,396,863   | 11,150,226   |
| <u>EXPENSES:</u>   |              |                           |              |              |
| Program expenses   | 10,363,693   | 0                         | 10,363,693   | 10,373,691   |
| Management and general expenses  | 408,580      | 0                         | 408,580      | 352,055      |
| Fundraising  | 267,946      | 0                         | 267,946      | 221,594      |
| Total expenses   | 11,040,219   | 0                         | 11,040,219   | 10,947,340   |
| CHANGE IN NET ASSETS   | 462,978      | (106,334)                 | 356,644      | 202,886      |
| NET ASSETS - BEGINNING OF YEAR   | 919,541      | 290,802                   | 1,210,343    | 1,007,457    |
| NET ASSETS - END OF YEAR   | \$ 1,382,519 | \$ 184,468                | \$ 1,566,987 | \$ 1,210,343 |

FOOD BANK OF NORTHWEST INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

(With comparative totals for the year ended December 31, 2014)

|  | <u>Program Services</u> |                                 | <u>Supporting Services</u>        |                      |                      | <u>Total<br/>2015</u> | <u>Total<br/>2014</u> |
|--|-------------------------|---------------------------------|-----------------------------------|----------------------|----------------------|-----------------------|-----------------------|
|  |                         | <u>Fundraising<br/>Expenses</u> | <u>Mgmt and<br/>Genl Expenses</u> | <u>Sub<br/>Total</u> |                      |                       |                       |
| Salaries and Related Expenses          |                         |                                 |                                   |                      |                      |                       |                       |
| Salaries                               | \$ 478,882              | \$ 0                            | \$ 127,298                        | \$ 127,298           | \$ 606,180           | \$ 648,521            |                       |
| Employee benefits                      | 26,344                  | 0                               | 7,003                             | 7,003                | 33,347               | 48,877                |                       |
| Payroll taxes                          | 40,896                  | 0                               | 10,871                            | 10,871               | 51,767               | 48,874                |                       |
| Total salaries and related expenses    | 546,122                 | 0                               | 145,172                           | 145,172              | 691,294              | 746,272               |                       |
| Advertising                            | 0                       | 2,120                           | 3,609                             | 5,729                | 5,729                | 20,669                |                       |
| Training & development of agencies     | 4,738                   | 0                               | 4,738                             | 4,738                | 9,476                | 5,622                 |                       |
| Auto and truck expense                 | 86,058                  | 0                               | 0                                 | 0                    | 86,058               | 76,720                |                       |
| Bank fees                              | 0                       | 0                               | 3,198                             | 3,198                | 3,198                | 3,473                 |                       |
| Conferences and workshops              | 0                       | 0                               | 8,386                             | 8,386                | 8,386                | 14,226                |                       |
| Computer support                       | 0                       | 0                               | 16,844                            | 16,844               | 16,844               | 15,636                |                       |
| Disposal services                      | 6,087                   | 0                               | 0                                 | 0                    | 6,087                | 7,661                 |                       |
| Dues and subscriptions                 | 0                       | 0                               | 11,240                            | 11,240               | 11,240               | 20,074                |                       |
| Food costs                             | 9,499,472               | 0                               | 0                                 | 0                    | 9,499,472            | 9,502,683             |                       |
| Fundraising events                     | 0                       | 16,615                          | 0                                 | 16,615               | 16,615               | 12,567                |                       |
| Insurance                              | 28,591                  | 0                               | 5,046                             | 5,046                | 33,637               | 46,253                |                       |
| Office and operating expenses          | 0                       | 10,233                          | 40,931                            | 51,164               | 51,164               | 22,433                |                       |
| Pest control                           | 4,635                   | 0                               | 0                                 | 0                    | 4,635                | 1,322                 |                       |
| Postage and shipping                   | 6,096                   | 0                               | 9,143                             | 9,143                | 15,239               | 13,448                |                       |
| Professional fees / temporary salaries | 0                       | 238,978                         | 126,955                           | 365,933              | 365,933              | 268,419               |                       |
| Program supplies                       | 33,002                  | 0                               | 0                                 | 0                    | 33,002               | 17,832                |                       |
| Repairs and maintenance                | 44,707                  | 0                               | 0                                 | 0                    | 44,707               | 25,413                |                       |
| Security                               | 424                     | 0                               | 0                                 | 0                    | 424                  | 1,968                 |                       |
| Scholarships                           | 0                       | 0                               | 0                                 | 0                    | 0                    | 17,990                |                       |
| Telephone                              | 13,396                  | 0                               | 1,489                             | 1,489                | 14,885               | 9,782                 |                       |
| Travel                                 | 0                       | 0                               | 17,897                            | 17,897               | 17,897               | 10,082                |                       |
| Unemployment benefits paid             | 12,737                  | 0                               | 0                                 | 0                    | 12,737               | 9,459                 |                       |
| Utilities                              | 30,930                  | 0                               | 2,257                             | 2,257                | 33,187               | 37,200                |                       |
| Total expenses before depreciation     | 10,316,995              | 267,946                         | 396,905                           | 664,851              | 10,981,846           | 10,907,204            |                       |
| Depreciation and amortization          | 46,698                  | 0                               | 11,675                            | 11,675               | 58,373               | 40,136                |                       |
| <b>TOTAL EXPENSES</b>                  | <b>\$ 10,363,693</b>    | <b>\$ 267,946</b>               | <b>\$ 408,580</b>                 | <b>\$ 676,526</b>    | <b>\$ 11,040,219</b> | <b>\$ 10,947,340</b>  |                       |

See notes to financial statements.

FOOD BANK OF NORTHWEST INDIANA, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative totals for the year ended December 31, 2014)

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| <u>OPERATING ACTIVITIES:</u>  |                     |                     |
| Contributions received  | \$ 1,168,977        | \$ 1,348,431        |
| Program revenue   | 62,759              | 61,814              |
| Grant revenue   | 577,256             | 512,443             |
| Special events  | 163,198             | 165,633             |
| Interest income   | 1,984               | 532                 |
| Other income  | 10,052              | 2,850               |
| Cash paid for expenses  | <u>(1,727,593)</u>  | <u>(1,717,569)</u>  |
| Net cash provided by operating activities   | 256,633             | 374,134             |
| <u>INVESTING ACTIVITIES</u> - Purchase of fixed assets                                      | <u>(193,586)</u>    | <u>(122,254)</u>    |
| NET INCREASE IN CASH  | 63,047              | 251,880             |
| CASH AND CASH EQUIVALENTS - Beginning of Year   | <u>760,390</u>      | <u>508,510</u>      |
| <u>CASH AND CASH EQUIVALENTS - End of Year</u>  | <u>\$ 823,437</u>   | <u>\$ 760,390</u>   |
| <u>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u> |                     |                     |
| <u>OPERATING ACTIVITIES:</u>  |                     |                     |
| Change in net assets  | \$ 356,644          | \$ 202,886          |
| Add non-cash items  |                     |                     |
| Depreciation  | 58,373              | 40,136              |
| Loss on disposal of assets  | 194                 | 2,956               |
| Decrease (increase) in assets:  |                     |                     |
| Accounts receivable   | (1,023)             | 94,499              |
| Prepaid expenses  | (1,227)             | (17,022)            |
| Inventory   | (196,147)           | 120,190             |
| Increase (decrease) in liabilities:   |                     |                     |
| Accounts payable  | 51,850              | (83,856)            |
| Accrued payroll and payroll taxes   | <u>(12,031)</u>     | <u>14,345</u>       |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>  | <u>\$ 256,633</u>   | <u>\$ 374,134</u>   |
| Supplemental information - non-cash food income   | <u>\$ 9,191,066</u> | <u>\$ 8,849,974</u> |
| Supplemental information - donated space  | <u>\$ 337</u>       | <u>\$ 0</u>         |

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Food Bank of Northwest Indiana, Inc. (the Organization) is a not-for-profit organization for the purpose of providing food to various charitable organizations and needy individuals located in Northwest Indiana. The majority of the Organization's revenues are derived from contributions. The Organization distributes food commodities to approximately 120 agencies in Northwest Indiana.

Use of Estimates in Preparation of Financial Statements

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 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.

Financial Statement Presentation

The Organization has adopted Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958-205 which provides guidance to reporting on not-for-profit organizations. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes. There were no permanently restricted net assets at December 31, 2015. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Cash and Cash Equivalents

Cash, as presented on the accompanying statement of financial position and statements of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions. Cash equivalents consist of highly liquid accounts. The Organization's certificate of deposit is classified as a cash equivalent.

Grants and Accounts Receivable

Grants and accounts receivable consist of billings for grants and other agencies that have been earned in the current year but have not yet been received. The Organization records bad debts on the direct write-off method when, in management's opinion, an account becomes uncollectible. The direct write-off method is a departure from generally accepted accounting principles. Bad debt expense calculated using the direct write-off method does not differ materially from those calculated using generally accepted methods.

FOOD BANK OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Financial Instruments and Credit Risk

The Organization is a food bank operating primarily in Northwest Indiana. As such, most of the Organization's accounts receivable are from charitable organizations within the same geographic region. The receivables are unsecured.

In 2015, the Organization received \$2,546,133 or 27% of its goods from the United States Department of Agriculture Commodities Program and the Organization's national affiliate, Feeding America. There has been no determination of the effect on the financial statements should these sources cease providing goods to Food Bank of Northwest Indiana, Inc.

In 2015, the Organization at various times had deposits in a financial institution in excess of the Federal Deposit Insurance Corporation's (FDIC) insured level of \$250,000. At December 31, 2015 the cash and cash equivalents at two financial institutions exceeded the federally insured limit by a total of \$238,214.

Tax Status

The Organization is an Indiana not-for-profit corporation exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Organization is not considered to be a private foundation.

Inventory

The Organization purchases food and also receives contributions of food for distribution to various charitable organizations. These goods are recorded at an average price per pound of food. This price was determined by Food Bank of Northwest Indiana, Inc.'s national affiliate, Feeding America.

The Organization also received United States Department of Agriculture commodities for distribution under the commodities program. The State of Indiana provides cost amounts for these commodities. The components of inventory at December 31, 2015 are as follows:

|                               |                   |
|-------------------------------|-------------------|
| Donated and Purchased Product | \$ 169,662        |
| USDA Commodities              | <u>116,185</u>    |
| Total Inventory               | <u>\$ 285,847</u> |

In-kind Donation

The Organization periodically stores excess frozen food in freezer space donated by a local food processor. The amount of the donated freezer space is recorded as an in-kind donation and an in-kind expense.

Allocation of Functional Expenses

The Organization has allocated their expenses by function based on the time spent on management, fundraising and program activities.

FOOD BANK OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Advertising

Advertising costs are included in supporting services and are expensed as incurred. Advertising expense was \$5,729 for the year ended December 31, 2015.

Contributed (In-Kind) Services

Volunteer services neither create nor enhance non-financial assets and do not require specialized skills, and thus are not recognized as support in the accompanying Statement of Activities. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organizations' program services. At volunteer minimum wage rates for Indiana, the Organization has documented 6,291 volunteer hours amounting to \$45,610 of unrecorded time for the year ended December 31, 2015.

Comparative Financial Information

The financial statements include certain prior-year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 7, 2016, the date the financial statements were available to be issued.

NOTE 2 - FIXED ASSETS

Fixed assets with an expected life of more than one year and a minimum cost of \$5,000 are capitalized. Fixed assets are carried at cost. Donated equipment is recorded at fair market value at the time of the donation. Depreciation expense is computed using straight-line over the estimated useful life of the fixed assets. When fixed assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. The depreciation expense for the year ended December 31, 2015 was \$58,373. Following is a reconciliation of fixed assets at December 31, 2015:

|                                |                   |
|--------------------------------|-------------------|
| Vehicles                       | \$ 452,070        |
| Equipment                      | 130,613           |
| Buildings                      | 478,632           |
| Land and improvements          | <u>71,931</u>     |
|                                | 1,148,031         |
| Less: accumulated depreciation | <u>677,685</u>    |
| Net fixed assets               | <u>\$ 470,346</u> |

FOOD BANK OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 3 - LEASE COMMITMENTS

The Organization entered into a 36 month lease for a copier in March 2015. The cost is \$87 per month. Rent expense on this lease for 2015 was \$783, which is included on the statement of functional expenses in office and operating expenses. Following is a schedule of when payments are due:

| <u>Year</u> | <u>Amount</u>   |
|-------------|-----------------|
| 2016        | \$ 1,044        |
| 2017        | 1,044           |
| 2018        | <u>261</u>      |
| Total       | <u>\$ 2,349</u> |

NOTE 4 - BOARD DESIGNATED

The Organization received \$240,000 from the Eleanor Leese estate during 2014. During 2015 the Organization opened a certificate of deposit with this estate donation. At December 31, 2015 the balance in the CD with interest amounted to \$251,626, which is included on the statement of financial position in cash and cash equivalents. The Organization received another \$120,000 from the Eleanor Leese estate during 2015. The board placed a restriction on these donations to only be used upon approval from the executive committee for their capital campaign. At December 31, 2015 the total board designated funds amounted to \$371,626.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

The Organization received grants for designated purposes that have not been met as of December 31, 2015. As of December 31, 2015, the Organization had \$184,468 that had not yet been released for their restricted purpose. This amount is shown in the Organization's financial statements as temporarily restricted net assets. Temporarily restricted net assets are restricted for the following purposes at the year ended December 31, 2015:

|   | <u>Temporarily<br/>Restricted</u> |
|---|-----------------------------------|
| Foundations of East Chicago - Senior pac              | \$ 5,336                          |
| Walk for Hunger 2015 - Food pantries who participated | 48,813                            |
| Agency issues and credits                             | 3,733                             |
| Walmart - Youth hunger relief                         | 23,750                            |
| Walmart - School food rescue                          | 1,700                             |
| TANF for capital improvements                         | <u>101,136</u>                    |
| Total   | <u>\$ 184,468</u>                 |

FOOD BANK OF NORTHWEST INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 - INCOME TAX UNCERTAINTIES

The Organization has adopted the provisions of ASC 740-10-25, which requires an organization to disclose any income tax uncertainties, including tax positions, for which it is reasonably possible that the unrecognized tax benefit will significantly change in the next 12 months. The Organization believes that all income tax positions are reasonable and that the total amounts of unrecognized tax benefits will not significantly increase or decrease within 12 months of the reporting date. As a non-profit organization, the entity is exempt from income taxes. The Organization did not recognize any income tax interest or penalties in 2015. In general, the Organization is no longer subject to examinations for years prior to 2013.

FOOD BANK OF NORTHWEST INDIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

| Federal Grantor<br>Pass-Through Grantor<br>Program Title / Grant Name                             | Federal<br>CFDA<br>Number | Name of<br>Program  | Federal<br>Expenditure | Last Year<br>Audited as<br>Major Program | Type of<br>Program | Non-<br>major<br>Program | Major<br>Program | Reference |
|---|---------------------------|---------------------|------------------------|--|--------------------|--------------------------|------------------|-----------|
| U.S. DEPARTMENT OF AGRICULTURE  |                           |                     |                        |  |                    |                          |                  |           |
| Pass Through Programs From:   |                           |                     |                        |  |                    |                          |                  |           |
| Indiana Department of Health - Emergency<br>Food Assistance Program                               |                           |                     |                        |  |                    |                          |                  |           |
| Indiana Department of Health Award # 2IN810001<br>Emergency Food Assistance Program (commodities) | 10.569                    | TEFAP               | \$ 2,449,625           | yes                                      | A                  |                          | X                | Note 3    |
| Indiana Department of Health Award # 2IN810001<br>Commodity Supplemental Food Program             | 10.565                    | CSFP                | \$ 28,747              | no                                       | A                  |                          | X                | Note 4    |
| Emergency Food Assistance Program (admin)   | 10.568                    | TEFAP               | \$ <u>77,207</u>       | yes                                      | A                  |                          | X                | Note 4    |
| Total U.S. Department of Agriculture (cluster)  |                           |                     | \$ <u>2,555,579</u>    |  |                    |                          |                  |           |
| Indiana Department of Education -<br>Summer Food Service Program for Children                     | 10.559                    | Summer Food Program | \$ <u>102,853</u>      | no                                       | B                  | X                        |                  | Note 5    |
| Total Indiana Department of Education   |                           |                     | \$ <u>102,853</u>      |  |                    |                          |                  |           |
| U.S. DEPARTMENT OF HEALTH AND<br>HUMAN SERVICES   |                           |                     |                        |  |                    |                          |                  |           |
| Pass Through Program From:  |                           |                     |                        |  |                    |                          |                  |           |
| Temporary Assistance for Needy Families (TANF)  |                           |                     |                        |  |                    |                          |                  |           |
| Indiana Department of Agriculture Award # A337-15-FB-103<br>Feeding Indiana's Families            | 93.716                    | TANF                | \$ <u>28,650</u>       | no                                       | B                  | X                        |                  | Note 6    |
| Total U.S. Department of Health and Human Services  |                           |                     | \$ <u>28,650</u>       |  |                    |                          |                  |           |
| TOTAL FEDERAL AWARDS AND EXPENDITURES   |                           |                     | \$ <u>2,687,082</u>    |  |                    |                          |                  |           |

FOOD BANK OF NORTHWEST INDIANA, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Food Bank of Northwest Indiana, Inc. under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Food Bank of Northwest Indiana, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Food Bank of Northwest Indiana, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - COMMODITIES PROGRAM

Food Bank of Northwest Indiana, Inc. receives shipments of food commodities from the U.S. Department of Agriculture as a sub-grantee from the Indiana Office of Community and Rural Affairs. The program's objective is to distribute available commodities to agencies serving needy individuals. The entire amount expended under this program was provided to sub-recipients. Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE 4 - ADMINISTRATIVE REIMBURSEMENT

Food Bank of Northwest Indiana, Inc. receives reimbursement of claims from U.S. Department of Agriculture as a sub-grantee from the Indiana Office of Community and Rural Affairs. The program's objective is to provide administrative funds for the distribution of available commodities to agencies serving needy individuals.

NOTE 5 - SUMMER FOOD SERVICE PROGRAM FOR CHILDREN

Food Bank of Northwest Indiana, Inc. received funds for the summer food service program to provide food for school age children at select locations. The program's objective is to provide healthy meals to children when school is not in session. The funds are from the U.S. Department of Agriculture, passed through the Indiana Department of Education.

NOTE 6 - TEMPORARY ASSISTANCE TO NEEDY FAMILIES

Food Bank of Northwest Indiana, Inc. received special funds from the U.S. Department of Health and Human Services passed through Feeding Indiana's Families.

NOTE 7 - FOOD DISTRIBUTION

The entire amount expended under the food commodities program was expended in the form of non-cash assistance. The non-monetary assistance is reported in the Schedule at the value of the commodities received and disbursed at a cost per pound of the U.S. commodities distributed. As of December 31, 2015, the Organization has food commodities in inventory valued at \$116,185.

NOTE 8 - LIABILITY INSURANCE

Food Bank of Northwest Indiana, Inc. has \$2,000,000 in commercial general liability coverage in place for the year ended December 31, 2015.

FOOD BANK OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

SUMMARY OF RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Food Bank of Northwest Indiana, Inc.
2. No material weaknesses were disclosed during the audit of the financial statements of Food Bank of Northwest Indiana, Inc.
3. No significant deficiencies that are considered to be material weaknesses to the financial statements of Food Bank of Northwest Indiana, Inc. were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Food Bank of Northwest Indiana, Inc. expresses an unqualified opinion.
5. There were no material weaknesses relative to the major federal award programs, and no significant deficiencies identified that are not considered to be material weaknesses, for Food Bank of Northwest Indiana, Inc.
6. There are no auditing findings related to major programs that the auditor is required to report.
7. The programs tested as the major program was the U.S. Department of Agriculture - Indiana Office of Community and Rural Affairs - The Emergency Food Assistance Program, CFDA #10.569 and CFDA #10.568 and the Commodity Supplemental Food Program CFDA #10.565.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Food Bank of Northwest Indiana, Inc. was determined to be a low-risk auditee.

FOOD BANK OF NORTHWEST INDIANA, INC.

EXIT CONFERENCE  
FOR THE YEAR ENDED DECEMBER 31, 2015

An exit conference was held with the grantees' officials on June 8, 2016 at the office of Peoples Bank in Merrillville, Indiana.

GRANTEE REPRESENTATIVES

|                  |                                  |
|------------------|----------------------------------|
| ARLEEN PETERSON  | EXECUTIVE DIRECTOR               |
| ROBERT LOWRY     | FINANCE COMMITTEE & BOARD MEMBER |
| JUSTIN CICILLIAN | FINANCE COMMITTEE & BOARD MEMBER |
| JANET HILBRICH   | ACCOUNTANT                       |

AUDIT ORGANIZATION REPRESENTATIVES

|                     |               |
|---------------------|---------------|
| DANIEL HAMSTRA, CPA | AUDIT MANAGER |
| JILL JONES, CPA     | AUDIT PARTNER |