

OUR DAILY BREAD, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)**

OUR DAILY BREAD, INC.
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

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Bernard M. Gordon, CPA, PLC

Certified Public Accountant and Consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Our Daily Bread, Inc.

I have audited the accompanying financial statements of Our Daily Bread, Inc. (a not-for-profit corporation), which consist of 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Our Daily Bread, 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

I have previously audited Our Daily Bread, Inc.'s 2014 financial statements, and my report dated May 26, 2015 expressed an unmodified opinion on those audited financial statements. In my 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.

Bernard M. Gordon, CPA, PLC

May 31, 2016

OUR DAILY BREAD, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION AT DECEMBER 31, 2014)

ASSETS		
	2015	2014
Cash	\$ 380,624	\$ 355,712
Non-government grants receivable	2,500	19,250
Receivable for costs recoverable under government grants	25,000	26,251
Contributions and other receivables	72,014	27,326
Gift cards	7,618	3,080
Inventory	10,139	9,750
Prepaid expenses	420	429
Furniture and equipment, net	33,669	17,029
Intangible assets, net	15,499	17,817
TOTAL ASSETS	\$ 547,483	\$ 476,644

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 123,067	\$ 12,047
Accrued payroll and payroll taxes	1,327	5,001
TOTAL LIABILITIES	124,394	17,048
 NET ASSETS		
Unrestricted	413,132	437,234
Temporarily restricted	9,957	22,362
TOTAL NET ASSETS	423,089	459,596
 TOTAL LIABILITIES AND NET ASSETS	 \$ 547,483	 \$ 476,644

See notes to financial statements.

OUR DAILY BREAD, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

	Un- restricted	Temporarily Restricted	2015 Total	2014 Total
REVENUE AND OTHER SUPPORT				
Donated goods, services, and facilities use	\$ 210,806	\$ -	\$ 210,806	\$ 164,946
Contributions	431,721	-	431,721	414,483
Contribution - Naomi Project acquisition	-	-	-	19,727
Government grants	236,100	-	236,100	232,501
Non-government grants	44,000	12,000	56,000	33,500
Donated gift cards	34,818	-	34,818	46,113
Special events	80,626	-	80,626	89,793
Less: Costs of direct benefits to donors	(38,879)	-	(38,879)	(52,477)
Interest and other revenue	1,141	-	1,141	351
Net assets released from restrictions				
Satisfaction of purpose restrictions	24,405	(24,405)	0	0
TOTAL REVENUE AND OTHER SUPPORT	1,024,738	(12,405)	1,012,333	948,937
EXPENSES				
Program services				
Food Bridge	273,799	-	273,799	247,169
Seasonal programs	216,317	-	216,317	198,914
Community Education	199,555	-	199,555	160,357
Financial Assistance	152,316	-	152,316	100,539
Financial Literacy	71,090	-	71,090	77,637
Project BRIDGE	39,450	-	39,450	38,070
Naomi Project	19,405	-	19,405	9,865
Advocacy	7,380	-	7,380	3,689
	979,312	-	979,312	836,240
Fundraising	13,243	-	13,243	28,014
General and administrative	56,285	-	56,285	42,008
TOTAL EXPENSES	1,048,840	-	1,048,840	906,262
CHANGE IN NET ASSETS	(24,102)	(12,405)	(36,507)	42,675
NET ASSETS AT BEGINNING OF YEAR	437,234	22,362	459,596	416,921
NET ASSETS AT END OF YEAR	\$ 413,132	\$ 9,957	\$ 423,089	\$ 459,596

See notes to financial statements.

OUR DAILY BREAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

	Food Bridge	Seasonal Programs	Community Education	Financial Assistance	Financial Literacy	Project BRIDGE	Naomi Project	Ad- vocacy	Total Program Services	Fund- raising	General and Admin- istrative	Indirect Expenses	2015 Grand Total	2014 Grand Total
Advertising	\$ -	\$ 20	\$ 411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 431	\$ -	\$ -	\$ 25	\$ 456	\$ 559
Audit and accounting fees	-	-	-	-	-	-	-	-	-	-	10,000	-	10,000	9,500
Bank and transaction fees	-	-	10	-	-	-	-	-	10	-	-	4,642	4,652	4,378
Conferences and meetings	-	-	2,780	-	885	-	-	-	3,665	-	1,394	445	5,504	1,628
Consultant/professional services	-	-	-	-	4,998	-	268	-	5,266	-	77	674	6,017	1,435
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	17,612	17,612	21,583
Dues and subscriptions	-	-	2,433	-	-	500	-	-	2,933	-	-	924	3,857	2,395
Financial assistance grants	-	-	-	112,710	30	2,692	-	-	115,432	-	-	-	115,432	64,134
Information technology	-	-	199	-	-	-	-	-	199	-	1,593	3,925	5,717	3,767
Insurance	-	-	-	-	-	-	-	-	-	-	-	5,060	5,060	4,578
In-kind donations	101,310	12,248	20,044	1,595	-	-	534	-	135,731	4,650	7,095	68,586	216,062	163,729
Maintenance and repairs	-	-	-	-	-	-	-	-	-	-	595	295	890	7,246
Miscellaneous	-	52	570	-	420	95	75	-	1,212	20	264	563	2,059	969
Office supplies	-	-	656	24	-	-	403	-	1,083	49	2,901	738	4,771	4,666
Payroll processing fees	-	-	-	-	-	-	-	-	-	-	-	3,684	3,684	3,131
Postage and shipping	628	1,950	2,638	-	28	-	172	-	5,416	1,741	929	797	8,883	7,369
Printing and copying	-	-	1,371	-	-	-	-	-	1,371	1,680	650	7,449	11,150	14,638
Program support														
Gift cards distributed	99,050	112,651	-	105	175	65	-	-	212,046	-	1,940	-	213,986	183,761
Our Daily Veggie vouchers	3,870	-	-	-	-	-	-	-	3,870	-	-	-	3,870	9,110
Goods and supplies	-	28,715	-	-	-	-	-	-	28,715	-	-	-	28,715	33,858
Property taxes and licenses	-	-	-	-	-	-	-	-	-	-	520	-	520	874
Refreshments	-	90	155	-	214	313	132	-	904	200	833	-	1,937	2,429
Rent and copier lease	-	-	-	-	-	-	-	-	-	-	-	1,792	1,792	2,549
Retirement plan expense	-	-	-	-	-	-	-	-	-	-	-	7,291	7,291	6,339
Salary and payroll taxes	39,533	34,698	96,260	21,786	36,599	20,556	10,009	4,244	263,685	2,743	14,794	76,556	357,778	342,639
Staff training and seminars	40	-	-	-	-	-	-	-	40	134	1,186	253	1,613	1,669
Telephone	-	240	140	-	-	-	418	-	798	-	-	5,199	5,997	4,971
Travel	160	17	650	-	702	43	-	-	1,572	-	480	1,259	3,311	2,109
Volunteer recognition	-	-	120	-	-	-	-	-	120	-	104	-	224	249
	244,591	190,681	128,437	136,220	44,051	24,264	12,011	4,244	784,499	11,217	45,355	207,769	1,048,840	906,262
Allocation of indirect expenses	29,208	25,636	71,118	16,096	27,039	15,186	7,394	3,136	194,813	2,026	10,930	(207,769)	0	0
Total expenses	<u>\$ 273,799</u>	<u>\$ 216,317</u>	<u>\$ 199,555</u>	<u>\$ 152,316</u>	<u>\$ 71,090</u>	<u>\$ 39,450</u>	<u>\$ 19,405</u>	<u>\$ 7,380</u>	<u>\$ 979,312</u>	<u>\$ 13,243</u>	<u>\$ 56,285</u>	<u>\$ 0</u>	<u>\$ 1,048,840</u>	<u>\$ 906,262</u>

See notes to financial statements.

OUR DAILY BREAD, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (36,507)	\$ 42,675
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,612	21,583
(Increase) decrease in operating assets		
Non-government grants receivable	16,750	(16,250)
Receivable for costs recoverable under government grants	1,251	(1,251)
Contributions and other receivables	(44,688)	(3,992)
Gift cards	(4,538)	4,150
Inventory	(389)	(2,062)
Prepaid expenses	9	(57)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	111,020	(25,451)
Accrued payroll and payroll taxes	(3,674)	(6,451)
NET CASH PROVIDED BY OPERATING ACTIVITIES	56,846	12,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(23,276)	(2,095)
Purchase of intangible assets	(8,658)	(2,727)
NET CASH USED BY INVESTING ACTIVITIES	(31,934)	(4,822)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,912	8,072
CASH AND CASH EQUIVALENTS - BEGINNING	355,712	347,640
CASH AND CASH EQUIVALENTS - ENDING	\$ 380,624	\$ 355,712

See notes to financial statements.

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

1. NATURE OF ACTIVITIES

Our Daily Bread provides our Fairfax County area neighbors in need with short-term safety-net services and empowers them to work toward long-term self-sufficiency. ODB began in 1984 and incorporated in Virginia in 1989. ODB operates the following programs with the help of volunteers:

Food Bridge

The organization coordinates a weekly food program by finding and matching a group of volunteers to a list of clients referred by government agencies. The volunteers typically pay for groceries and/or gift cards and deliver them directly to the clients. In addition, ODB maintains a food pantry in order to make emergency deliveries to families with urgent needs.

Seasonal Programs

ODB works with Fairfax County government agencies, community based organizations, faith communities, area businesses, individual families, and other volunteers to provide school supplies, holiday meals, gifts of clothing and toys, and store gift cards to clients referred by governmental agencies, faith communities, and not-for-profit organizations.

Community Education

ODB provides information about its activities to the community and referring agents and fosters relationships with donors through several mediums, including the organization's website, social media, print materials, display boards, and newsletters.

Financial Assistance

ODB enlists and coordinates volunteers to evaluate requests from referring government agencies for emergency financial assistance grants. These grants are generally one-time emergency situations. ODB provides financial assistance grants to pay rent, utilities, medical and other emergency expenses, including auto repair.

Financial Literacy

ODB educates clients in basic household budgeting and understanding credit through three programs: one-on-one counseling is provided through the Financial Mentoring Program and Financial Counseling Clinics, and small group instruction is provided through budgeting classes. ODB staff train and supervise volunteers who provide mentoring and classroom instruction.

Project BRIDGE

For selected clients, ODB draws upon the resources of all of its programs and the community to develop a comprehensive plan for each client and provide services tailored to each client's specific needs.

Naomi Project

The program, which is run by volunteers, matches high-risk pregnant or newly parenting women with trained mentors who are committed to promoting healthy pregnancies and healthy babies.

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

Advocacy

ODB Board members and staff advocate for Board-selected issues in order to create an environment where ODB's clients can achieve long-term self-sufficiency.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

ODB presents its financial statements in accordance with United States generally accepted accounting principles for not-for-profit organizations. ODB 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.

Government grants

Government grants are cost reimbursable grants. They are considered exchange transactions and are recognized as unrestricted revenue to the extent of allowable direct and indirect costs incurred.

Non-government grants and contributions

Non-government grants and contributions are recognized as revenue in the period received or unconditionally promised, whichever is earlier. They are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Grants and contributions restricted by the donor are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents

ODB considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory consists of (a) donated and purchased food, and (b) donated Naomi Project baby supplies. Donated items are recorded at fair value as of the donation date. Purchased items are recorded at cost. Inventory is stated in the Statement of Financial Position at the lower of cost or realizable value using the first in, first out (FIFO) method.

Furniture and equipment

Purchased furniture and equipment is capitalized at cost. Donated furniture and equipment is capitalized at estimated fair value and revenue is recorded. Furniture and equipment is depreciated using the straight-line method over the estimated useful lives of three to seven years.

Intangible assets

Intangible assets consist of a website and database software, which are capitalized at cost. Intangible assets are amortized using the straight-line method over the estimated useful lives of two to three years.

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

Income taxes

ODB is a not-for-profit organization that is exempt from federal 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.

Restrictions met in year contribution received

ODB reports all temporarily restricted contributions whose restrictions are met in the same year as unrestricted contributions.

Concentration of credit risk

ODB maintains substantially all of its cash balances at a bank and a credit union. The cash balance at the bank is insured by the Federal Deposit Insurance Corporation up to \$250,000, and the cash balance at the credit union is insured by the National Credit Union Administration, also up to \$250,000. At December 31, 2015, substantially all of ODB's cash balances are insured.

Advertising costs

Advertising costs are charged to expense as incurred.

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. Actual results could differ from these estimates.

Reclassifications

Certain 2014 amounts have been reclassified to conform to the 2015 financial statement presentation.

Subsequent events

Management has evaluated subsequent events through May 31, 2016 the date the financial statements were available to be issued.

3. INFORMATION FOR 2014

The 2014 summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived. However, such information does not constitute a presentation in conformity with generally accepted accounting principles because it is presented in total, and not by net asset class or functional expense category. Accordingly, such information should be read in conjunction with Our Daily Bread, Inc.'s financial statements for the year ended December 31, 2014, from which the summarized information is derived.

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

4. FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Furniture and office equipment	\$ 55,619	\$ 52,392
Less: accumulated depreciation	<u>(21,950)</u>	<u>(35,363)</u>
	<u>\$ 33,669</u>	<u>\$ 17,029</u>

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	<u>2015</u>	<u>2014</u>
Website and database software	\$ 71,386	\$ 62,727
Less: accumulated amortization	<u>(55,887)</u>	<u>(44,910)</u>
	<u>\$ 15,499</u>	<u>\$ 17,817</u>

6. DONATED GOODS, SERVICES, AND FACILITIES USE

ODB recognized revenue in the Statement of Activities for the fair value of the following donated goods, services, and facilities use:

	<u>2015</u>	<u>2014</u>
Food	\$ 78,366	\$ 66,661
Gift cards	14,311	8,270
Facilities use	52,286	49,294
Services	35,729	24,688
Holiday items and other	<u>30,114</u>	<u>16,033</u>
	<u>\$ 210,806</u>	<u>\$ 164,946</u>

In addition, ODB received approximately 8,100 and 7,400 hours in 2015 and 2014, respectively, of donated services from unpaid volunteers who assist the organization in a variety of tasks. The value of these services is estimated at \$202,000 and \$159,000 for 2015 and 2014, respectively. No revenue has been recognized for these services in the Statement of Activities because they do not meet the criteria for recognition under generally accepted accounting principles.

7. OPERATING LEASES

ODB leases its office space at no cost under a License Agreement with the County of Fairfax. The term of the lease runs concurrent with a grant agreement with the County of Fairfax and is automatically renewed at any time the grant is renewed. The License Agreement expires June 30, 2016.

Space for a food pantry is leased under a separate month-to-month License Agreement with the County of Fairfax.

Throughout each year, ODB rents space on a short-term basis for its programs.

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2014)

In June 2011 ODB signed a lease for a copier, whereby ODB is obligated to pay \$149 per month over the 60 month term of the lease. In October 2015, ODB terminated the lease and entered into a new copier lease whereby ODB is required to pay \$199 per month over the 60 month term of the new lease.

Rent and copier lease expense is \$54,078 (of which \$52,286 is donated) for 2015 and \$51,843 (of which \$49,294 is donated) for 2014.

8. REVENUE CONCENTRATION

During 2015 and 2014, 27% and 28%, respectively, of total revenue was derived from County of Fairfax, Virginia grants and donated facilities use.

9. RETIREMENT PLAN

ODB has a 403(b) retirement plan, which covers substantially all employees. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their salary up to the maximum allowed by law. ODB matches a portion of the employee contributions in an amount determined by the Board of Directors on an annual basis, currently one-half of the employee's contributions up to 6% of the employee's salary. ODB contributed \$7,291 and \$6,339 to the plan for 2015 and 2014, respectively.

10. ACQUISITION OF NAOMI PROJECT

ODB acquired the assets and assumed the liabilities of The Naomi Project ("NP") on October 30, 2014 from The Virginia Council of Churches ("VCC"), a religious organization, in accordance with an Asset Purchase Agreement between the parties. VCC, on behalf of NP, sought an organization to assume the direction and oversight of NP upon the retirement of NP's long-standing Executive Director. ODB desired to acquire NP from VCC in order for NP to continue its operations and serve its clients. On the acquisition date, ODB recorded NP's assets and liabilities on its books at fair value as follows:

Assets acquired	
Cash	\$ 18,882
Inventory	<u>845</u>
	19,727
Liabilities assumed	<u>-</u>
	<u><u>\$ 19,727</u></u>

On the acquisition date, ODB also recorded \$19,727 of contribution revenue in its Statement of Activities for the difference between the assets acquired and liabilities assumed.

11. EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs, general and administrative, and fundraising.