

**CONNECTICUT FOOD BANK, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

# CONNECTICUT FOOD BANK, INC.

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
**Connecticut Food Bank, Inc.**

*Report on the Financial Statements*

We have audited the accompanying financial statements of Connecticut Food Bank, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, change in net assets, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Food Bank, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marcum LLP*

New Haven, CT  
January 7, 2014

**CONNECTICUT FOOD BANK, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2013 AND 2012**

|   | 2013                 | 2012                 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| <b>Current Assets</b>   |                      |                      |
| Cash and cash equivalents   | \$ 1,659,847         | \$ 1,480,549         |
| Short-term investments  | 82,582               | 53,491               |
| Accounts receivable, less allowance for doubtful<br>accounts of \$28,486 in 2013 and \$24,486 in 2012 | 87,687               | 114,578              |
| Pledge receivable - current   | 20,000               | --                   |
| Prepaid expenses and other  | 183,073              | 49,268               |
| Inventory   | <u>1,743,350</u>     | <u>1,239,920</u>     |
| <b>Total Current Assets</b>   | <u>3,776,539</u>     | <u>2,937,806</u>     |
| <b>Assets Whose Use is Limited</b>  |                      |                      |
| Internally designated by the Board:   |                      |                      |
| Cash and cash equivalents   | 2,585,614            | 1,435,433            |
| Short-term investments  | 5,145,622            | 5,142,192            |
| Investments, at fair value  | <u>2,148,764</u>     | <u>2,281,000</u>     |
| <b>Total Assets Whose Use is Limited</b>  | <u>9,880,000</u>     | <u>8,858,625</u>     |
| <b>Land, Building and Equipment - net</b>   | <u>1,567,479</u>     | <u>1,480,243</u>     |
| <b>Pledge receivable - long term</b>  | <u>78,021</u>        | <u>--</u>            |
|   | <u>\$ 15,302,039</u> | <u>\$ 13,276,674</u> |

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2013 AND 2012

|                                       | 2013                 | 2012                 |
|---------------------------------------|----------------------|----------------------|
| <b>Liabilities and Net Assets</b>     |                      |                      |
| <b>Current Liabilities</b>            |                      |                      |
| Accounts payable and accrued expenses | \$ 605,550           | \$ 355,563           |
| Accrued vacation                      | 159,888              | 107,249              |
| Deferred grant revenue                | <u>68,026</u>        | <u>25,121</u>        |
| <b>Total Current Liabilities</b>      | <u>833,464</u>       | <u>487,933</u>       |
| <b>Net Assets</b>                     |                      |                      |
| Unrestricted                          |                      |                      |
| Designated by the Governing Board     | 9,880,000            | 8,858,625            |
| Undesignated                          | 3,489,090            | 2,864,699            |
| Temporarily restricted                | <u>1,099,485</u>     | <u>1,065,417</u>     |
| <b>Total Net Assets</b>               | <u>14,468,575</u>    | <u>12,788,741</u>    |
|                                       | <u>\$ 15,302,039</u> | <u>\$ 13,276,674</u> |

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

# CONNECTICUT FOOD BANK, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

|  | 2013                | 2012              |
|--|---------------------|-------------------|
| <b>Revenue and Other Support</b>                             |                     |                   |
| Contributions and fundraising                                | \$ 7,410,265        | \$ 6,587,101      |
| Donated food (Note 5)  | 27,363,186          | 22,670,037        |
| Governmental grants  | 932,490             | 944,003           |
| Shared maintenance and transportation                        | 553,277             | 685,405           |
| Buying Club Revenue  | 748,477             | 759,817           |
| Storage and handling charges                                 | 14,855              | 15,668            |
| Membership fees  | 9,188               | 9,808             |
| Net assets released from restrictions                        | 961,454             | 170,025           |
|  | <u>37,993,192</u>   | <u>31,841,864</u> |
| <b>Expenses</b>  |                     |                   |
| Program services:  |                     |                   |
| Food distribution  | 34,000,605          | 29,376,336        |
| Public education and awareness                               | 640,021             | 590,187           |
| Supporting services:   |                     |                   |
| General and administrative                                   | 858,389             | 822,371           |
| Fundraising  | 1,199,110           | 918,162           |
|  | <u>36,698,125</u>   | <u>31,707,056</u> |
| <b>Income From Operating Activities</b>                      | <u>1,295,067</u>    | <u>134,808</u>    |
| <b>Nonoperating Activities</b>                               |                     |                   |
| Return on investments  | 196,911             | 752               |
| Interest income  | 9,072               | 11,376            |
|  | <u>205,983</u>      | <u>12,128</u>     |
| <b>Excess of Revenue and<br/>Other Support Over Expenses</b> | <u>\$ 1,501,050</u> | <u>\$ 146,936</u> |

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

**CONNECTICUT FOOD BANK, INC.**

**STATEMENTS OF CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

|  | <u>2013</u>          | <u>2012</u>          |
|--|----------------------|----------------------|
| <b>Unrestricted Net Assets</b>                             |                      |                      |
| Excess of revenue and other support over expenses          | \$ 1,501,050         | \$ 146,936           |
| Other changes in unrestricted net assets:                  |                      |                      |
| Grants received for the purchase of property and equipment | <u>144,716</u>       | <u>--</u>            |
| <b>Change in Unrestricted Net Assets</b>                   | <u>1,645,766</u>     | <u>146,936</u>       |
| <b>Temporarily Restricted Net Assets</b>                   |                      |                      |
| Contributions and program revenue received                 | 1,140,238            | 1,224,442            |
| Net assets released from restrictions                      | <u>(1,106,170)</u>   | <u>(170,025)</u>     |
| <b>Change in Temporarily Restricted Net Assets</b>         | <u>34,068</u>        | <u>1,054,417</u>     |
| <b>Change in Net Assets</b>                                | 1,679,834            | 1,201,353            |
| <b>Net Assets - Beginning</b>                              | <u>12,788,741</u>    | <u>11,587,388</u>    |
| <b>Net Assets - Ending</b>                                 | <u>\$ 14,468,575</u> | <u>\$ 12,788,741</u> |

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



# CONNECTICUT FOOD BANK, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

### FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

|   | Year ended June 30, 2013 |                                |                            |                     | Year ended June 30, 2012 |                                |                            |                   |                      |
|---|--------------------------|--------------------------------|----------------------------|---------------------|--------------------------|--------------------------------|----------------------------|-------------------|----------------------|
|   | Program Services         |                                | Supporting Services        |                     | Program Services         |                                | Supporting Services        |                   |                      |
|   | Food Distribution        | Public Education and Awareness | General and Administrative | Fundraising         | Food Distribution        | Public Education and Awareness | General and Administrative | Fundraising       |                      |
| <b>Salaries and Related Expenses</b>                  |                          |                                |                            |                     |                          |                                |                            |                   |                      |
| Salaries  | \$ 1,788,575             | \$ 327,184                     | \$ 457,142                 | \$ 232,661          | \$ 1,683,023             | \$ 317,775                     | \$ 416,505                 | \$ 209,729        | \$ 2,627,032         |
| Employee benefits                                     | 288,683                  | 58,639                         | 72,171                     | 31,575              | 252,046                  | 51,197                         | 63,011                     | 27,567            | 393,821              |
| Payroll taxes   | 155,373                  | 34,527                         | 39,460                     | 17,264              | 142,013                  | 31,558                         | 36,067                     | 15,779            | 225,417              |
| <b>Total Salaries and Related Expenses</b>            | <u>2,232,631</u>         | <u>420,350</u>                 | <u>568,773</u>             | <u>281,500</u>      | <u>2,077,082</u>         | <u>400,530</u>                 | <u>515,583</u>             | <u>253,075</u>    | <u>3,246,270</u>     |
| <b>Food Distribution and Warehouse Expenses</b>       |                          |                                |                            |                     |                          |                                |                            |                   |                      |
| Food distributed                                      | 26,995,488               | --                             | --                         | --                  | 23,135,724               | --                             | --                         | --                | 23,135,724           |
| Other food purchases                                  | 2,606,066                | --                             | --                         | --                  | 2,320,785                | --                             | --                         | --                | 2,320,785            |
| Freight   | 774,958                  | --                             | --                         | --                  | 750,794                  | --                             | --                         | --                | 750,794              |
| Maintenance and repairs                               | 161,659                  | --                             | --                         | --                  | 179,062                  | 5,965                          | 5,965                      | 5,965             | 196,957              |
| Utilities/occupancy                                   | 192,267                  | 6,834                          | 6,834                      | 6,834               | 166,345                  | 9,878                          | 9,878                      | 9,878             | 195,979              |
| Truck maintenance and fuel                            | 196,362                  | --                             | --                         | --                  | 188,742                  | --                             | --                         | --                | 188,742              |
| Storage and handling                                  | 85,754                   | --                             | --                         | --                  | 104,032                  | --                             | --                         | --                | 104,032              |
| <b>Total Food Distribution and Warehouse Expenses</b> | <u>31,012,554</u>        | <u>6,834</u>                   | <u>6,834</u>               | <u>6,834</u>        | <u>26,845,484</u>        | <u>15,843</u>                  | <u>15,843</u>              | <u>15,843</u>     | <u>26,893,013</u>    |
| <b>Other Expenses</b>                                 |                          |                                |                            |                     |                          |                                |                            |                   |                      |
| Fundraising activities and expenses                   | 75,360                   | --                             | --                         | 873,165             | --                       | --                             | --                         | 615,778           | 615,778              |
| Professional fees                                     | 233,221                  | 13,719                         | 218,720                    | --                  | --                       | --                             | 213,431                    | --                | 213,431              |
| Depreciation and amortization                         | 160,129                  | --                             | 13,719                     | 13,719              | 207,556                  | 12,209                         | 12,209                     | 12,209            | 244,183              |
| Disaster relief                                       | 124,530                  | --                             | --                         | --                  | --                       | --                             | --                         | --                | --                   |
| Insurance   | 67,290                   | 7,268                          | 7,268                      | 7,268               | 91,536                   | 5,384                          | 11,229                     | 5,384             | 113,533              |
| Office supplies and expenses                          | --                       | 10,353                         | 15,529                     | 10,353              | 62,602                   | 9,631                          | 14,447                     | 9,631             | 96,311               |
| Public relations                                      | --                       | 96,995                         | --                         | --                  | --                       | 72,822                         | --                         | --                | 72,822               |
| Travel and meetings                                   | --                       | 67,112                         | --                         | --                  | --                       | 56,612                         | --                         | --                | 56,612               |
| Postage and printing                                  | 31,510                   | 9,695                          | 4,848                      | 2,424               | 30,361                   | 9,342                          | 4,671                      | 2,335             | 46,709               |
| Telephone   | 34,083                   | 4,545                          | 4,545                      | 2,272               | 33,310                   | 4,441                          | 4,441                      | 2,221             | 44,413               |
| Dues and subscriptions                                | 23,625                   | 3,150                          | 3,150                      | 1,575               | 25,296                   | 3,373                          | 3,373                      | 1,686             | 33,728               |
| Staff training  | 5,672                    | --                             | --                         | --                  | 3,109                    | --                             | --                         | --                | 3,109                |
| Other administrative                                  | --                       | --                             | 5,158                      | --                  | --                       | --                             | 19,224                     | --                | 19,224               |
| Provision for bad debts                               | --                       | --                             | 4,000                      | --                  | --                       | --                             | 7,920                      | --                | 7,920                |
| <b>Total Other Expenses</b>                           | <u>755,420</u>           | <u>212,837</u>                 | <u>282,782</u>             | <u>910,776</u>      | <u>453,770</u>           | <u>173,814</u>                 | <u>290,945</u>             | <u>649,244</u>    | <u>1,567,773</u>     |
| <b>Total</b>  | <u>\$ 34,000,605</u>     | <u>\$ 640,021</u>              | <u>\$ 858,389</u>          | <u>\$ 1,199,110</u> | <u>\$ 29,376,336</u>     | <u>\$ 590,187</u>              | <u>\$ 822,371</u>          | <u>\$ 918,162</u> | <u>\$ 31,707,056</u> |

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

# CONNECTICUT FOOD BANK, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

|  | 2013                | 2012                |
|--|---------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>  |                     |                     |
| Change in net assets   | \$ 1,679,834        | \$ 1,201,353        |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization  | 274,378             | 244,183             |
| Net realized and unrealized (gain) loss on investments   | (173,442)           | 20,573              |
| Net change in donated food inventory   | (367,711)           | 465,687             |
| Changes in assets and liabilities:   |                     |                     |
| Accounts receivable  | 26,891              | 187,946             |
| Grants receivable  | --                  | 85,355              |
| Pledge receivable  | (98,021)            | --                  |
| Prepaid expenses and other   | (133,805)           | (42,187)            |
| Other inventory  | (135,719)           | 29,982              |
| Accounts payable and accrued expenses  | 249,987             | (10,608)            |
| Accrued vacation   | 52,639              | 22,555              |
| Deferred grant revenue   | 42,905              | (31,359)            |
| <b>Net Cash Provided by Operating Activities</b>   | <b>1,417,936</b>    | <b>2,173,480</b>    |
| <b>Cash Flows from Investing Activities</b>  |                     |                     |
| Purchases of property and equipment  | (361,614)           | (82,486)            |
| Purchases of short term investments  | (32,521)            | (27,857)            |
| Proceeds from sale of investments  | 915,038             | 757,024             |
| Purchases of investments   | (609,360)           | (1,236,714)         |
| <b>Net Cash Used in Investing Activities</b>   | <b>(88,457)</b>     | <b>(590,033)</b>    |
| <b>Net Change in Cash and Cash Equivalents</b>   | <b>1,329,479</b>    | <b>1,583,447</b>    |
| <b>Cash and Cash Equivalents - Beginning</b>   | <b>2,915,982</b>    | <b>1,332,535</b>    |
| <b>Cash and Cash Equivalents - Ending</b>  | <b>\$ 4,245,461</b> | <b>\$ 2,915,982</b> |

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

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### *ORGANIZATION*

Connecticut Food Bank, Inc. (the Organization) was incorporated in Connecticut in 1982 as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization solicits, stores, and distributes donated and purchased food through a network of member agencies.

#### *SIGNIFICANT ACCOUNTING POLICIES*

##### *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 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. These estimates include assessing the collectibility of accounts receivable, fair value of investments, and the estimated useful lives of long lived assets, among others. Actual results could differ from those estimates.

##### *BASIS OF PRESENTATION*

To ensure observance of limitations and restrictions that may be placed on the use of resources available, the accounts of the Organization are maintained in the following net asset categories:

Unrestricted - Unrestricted net assets represent available resources other than donor restricted contributions. Included in unrestricted net assets are grants and contracts that are earmarked for specific purposes.

Temporarily Restricted - Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, restricted and unrestricted. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

#### *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents, including current unrestricted and restricted funds, include investments in highly liquid financial instruments with original maturities of three months or less. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor under the FDIC's general deposit insurance rules. The Organization maintains cash deposits in excess of \$250,000 which exceeds FDIC limits. Management believes that credit risk related to those deposits is minimal.

#### *SHORT TERM INVESTMENTS*

Short term investments include funds held in bank certificates of deposit, for which the cost approximates the fair value.

#### *INVESTMENTS*

Investments are measured at fair value in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Donated investments are recorded at fair value as of the date of receipt. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenue and other support over expenses unless the income or loss is restricted by donor or law.

#### *ASSETS WHOSE USE IS LIMITED*

Assets whose use is limited include assets set aside by the Board to fund the cost of a planned facility expansion, other future capital improvements, an operating reserve, and as a reserve for emergency food purchases, over which the Board retains control and may at its discretion subsequently use for other purposes.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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#### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The composition of the assets whose use is limited is as follows at June 30:

|                                      | 2013                | 2012                |
|--------------------------------------|---------------------|---------------------|
| Planned facility expansion           | \$ 5,000,000        | \$ 4,000,000        |
| Capital improvements                 | 196,000             | 320,555             |
| Operating reserve                    | 3,036,000           | 2,657,070           |
| Reserve for emergency food purchases | <u>1,648,000</u>    | <u>1,881,000</u>    |
|                                      | <u>\$ 9,880,000</u> | <u>\$ 8,858,625</u> |

#### *RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS*

Accounts receivable, primarily handling fees billed to member agencies based upon the types of food distributed, are stated at the amount the Organization expects to collect. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on a review of the current status of existing receivables, historical collection experience, and other circumstances that may affect the ability of members and others to meet their obligations. Receivables are considered impaired if full payments are not expected to be received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

#### *CONTRIBUTIONS AND DONOR RESTRICTED GIFTS*

The Organization reports contributions of cash and other assets at fair value at the date the contribution. Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence or nature of any donor-imposed restrictions.

All donor restricted support is reported as an increase in temporarily restricted net assets. When a donor restriction expires, that is, 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. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, restricted and unrestricted. Donor restricted contributions whose restrictions are met in the same year are reflected as unrestricted contributions in the accompanying financial statements.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *REVENUE RECOGNITION*

Revenues from shared maintenance and transportation are recognized in the period earned.

#### *INVENTORY*

Food inventories purchased for resale are stated at the lower of cost, determined by the first-in, first-out method, or market.

The value of the donated inventory, donated food revenue and food distributed is based upon a study commissioned by Feeding America, a national food bank network, of the average wholesale value of products donated to the network (see Note 4).

#### *LAND, BUILDING AND EQUIPMENT*

Land, building and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in the statement of activities.

Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets, as follows:

|                           |            |
|---------------------------|------------|
| Building and improvements | 5-30 years |
| Leasehold improvements    | 5-10 years |
| Furniture and equipment   | 5-20 years |
| Vehicles                  | 5-10 years |

The Organization continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Organization will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest levels for which there are cash flows.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing various programs and other activities have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program and supporting services.

#### *INCOME TAXES*

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2010.

#### *SUBSEQUENT EVENTS*

The Organization has evaluated subsequent events through January 7, 2014, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of June 30, 2013, have been incorporated into these financial statements herein.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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#### NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Long-term investments, recorded in the balance sheet as assets whose use is limited, consist primarily of equities, corporate bonds, and other securities, and by policy, are not heavily concentrated in any individual security or financial institution.

Investments are stated at fair value and consist of the following at June 30:

|                                    | 2013                | 2012                |
|------------------------------------|---------------------|---------------------|
| Cash and money market funds        | \$ 109,567          | \$ 463,020          |
| Equities                           | 915,391             | 752,895             |
| Exchange traded / Closed end funds | 657,528             | 622,032             |
| Government securities              | 184,789             | 209,377             |
| Mutual Funds                       | 222,117             | 193,583             |
| Corporate bonds                    | <u>59,372</u>       | <u>40,093</u>       |
|                                    | <u>\$ 2,148,764</u> | <u>\$ 2,281,000</u> |

Other short-term investments consist of funds held in bank certificates of deposit, for which the cost approximates the fair value.

The following schedule summarizes the return on investments for the years ended June 30:

|                        | 2013              | 2012            |
|------------------------|-------------------|-----------------|
| Interest and dividends | \$ 23,469         | \$ 21,325       |
| Realized gain          | <u>91,673</u>     | <u>41,639</u>   |
|                        | 115,142           | 62,964          |
| Unrealized gain (loss) | <u>81,769</u>     | <u>(62,212)</u> |
|                        | <u>\$ 196,911</u> | <u>\$ 752</u>   |



# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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#### NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

##### *FAIR VALUE MEASUREMENTS*

The Organization has established a framework for measuring fair value, based on a fair value hierarchy contained in Accounting Standards Codification (ASC) 820 that is intended to increase consistency and comparability in fair value measurements and related disclosures. This 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 measurement).

The three levels of fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology based on unadjusted quoted market prices in active markets that are accessible at the measurement date.
- Level 2 – Inputs to the valuation methodology that include quoted market prices that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- 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 should maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's policy is to recognize significant transfers between levels at the beginning of the reporting period.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2013 and 2012:

- The Organization values investments in securities that are freely traded and listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the Organization's year.
- The fair values of government obligations are based on quoted prices in active markets, and categorized in Level 1 of the fair value hierarchy.
- The fair value of corporate obligations is estimated using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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#### NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy the investments at fair value, as of June 30, 2013 and 2012:

|                                       | Investments at Fair Value<br>as of June 30, 2013 |           |              |
|---------------------------------------|--|-----------|--------------|
|                                       | Level 1  | Level 2   | Total        |
| <b>Investments:</b>                   |  |           |              |
| Cash and money market funds           | \$ 109,567                                       | \$ --     | \$ 109,567   |
| Corporate bonds                       | --   | 59,372    | 59,372       |
| Equities                              | 915,391  | --        | 915,391      |
| Government securities                 | 184,789  | --        | 184,789      |
| Mutual Funds                          | 222,117  | --        | 222,117      |
| Exchange Traded /<br>Closed End Funds | 657,528  | --        | 657,528      |
|                                       | 2,089,392  | 59,372    | 2,148,764    |
| <b>Short-term investments:</b>        |  |           |              |
| Certificates of deposit               | 5,228,204  | --        | 5,228,204    |
|                                       | \$ 7,317,596                                     | \$ 59,372 | \$ 7,376,968 |

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

### NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

|                                       | Investments at Fair Value<br>as of June 30, 2012 |                  |                     |
|---------------------------------------|--|------------------|---------------------|
|                                       | Level 1  | Level 2          | Total               |
| Investments:                          |  |                  |                     |
| Cash and money market funds           | \$ 463,020                                       | \$ --            | \$ 463,020          |
| Corporate bonds                       | --   | 40,093           | 40,093              |
| Equities                              | 752,895  | --               | 752,895             |
| Government securities                 | 209,377  | --               | 209,377             |
| Mutual Funds                          | 193,583  | --               | 193,583             |
| Exchange Traded /<br>Closed End Funds | <u>622,032</u>                                   | <u>--</u>        | <u>622,032</u>      |
|                                       | 2,240,907  | 40,093           | 2,281,000           |
| Short-term investments:               |  |                  |                     |
| Certificates of deposit               | <u>5,195,683</u>                                 | <u>--</u>        | <u>5,195,683</u>    |
|                                       | <u>\$ 7,436,590</u>                              | <u>\$ 40,093</u> | <u>\$ 7,476,683</u> |

### NOTE 3 - ACCOUNTS RECEIVABLE

The Organization provides credit without collateral to its participating member agencies, in connection with its shared maintenance fees billed and the buying club program. The Organization performs an evaluation of all new applicants in order to verify eligibility in accordance with established criteria for membership.

### NOTE 4 - PLEDGE RECEIVABLE

In 2013, the Organization initiated a capital campaign to assist with the financing and construction of a new operations facility, which is expected to be completed in 2015. As of June 30, 2013, a total of \$100,000 has been pledged from the inception of the campaign.

**CONNECTICUT FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**NOTE 4 – PLEDGE RECEIVABLE (CONTINUED)**

As of June 30, 2013, pledge receivable consisted of the following:

|   |    |               |                |
|---|----|---------------|----------------|
| Receivable in less than one year        | \$ | 20,000        |                |
| Receivable in one to five years         |    | <u>80,000</u> |                |
|   |    |               | 100,000        |
| Less, discount to net present value     |    |               | <u>(1,979)</u> |
| Net pledge receivable                   |    |               | 98,021         |
| Less current portion                    |    |               | <u>20,000</u>  |
| Pledge receivable, less current portion | \$ | <u>78,021</u> |                |

**NOTE 5 - INVENTORY, DONATED FOOD DISTRIBUTED**

Inventory consists of the following at June 30:

|  | <u>2013</u>         | <u>2012</u>         |
|--|---------------------|---------------------|
| Donated food   | \$ 504,305          | \$ 563,212          |
| Temporary Emergency Food Assistance<br>Program (TEFAP) commodities | 878,344             | 451,726             |
| Purchased food   | <u>360,701</u>      | <u>224,982</u>      |
|  | <u>\$ 1,743,350</u> | <u>\$ 1,239,920</u> |

Throughout the year, the Organization receives donated food from various entities and distributes this food to other not-for-profit agencies. The Organization charges its member agencies certain maintenance and handling fees. The accounting for food products and related fees charged is done on a per pound basis.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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#### NOTE 5 - INVENTORY, DONATED FOOD DISTRIBUTED (CONTINUED)

The fair values for the donated inventory, donated food revenue, and food distributed are determined based on a study commissioned by Feeding America, a national food bank network, of the average wholesale fair value of products donated to the network. Although the value of items for different organizations may vary, an average wholesale value per pound of \$1.69 and \$1.66 in 2013 and 2012, respectively, was used by the Organization, based on the results of Feeding America's study.

In addition, commodities received under the TEFAP program are valued using the average wholesale value per pound based upon the Feeding America study.

The Organization also distributes purchased food products through several programs, including the Buying Club, grant funding through the Federal Emergency Management Agency (FEMA), and other donor contributions. The Buying Club is a program designed to purchase food products not normally donated to the Organization. The participating member agencies may purchase these food products from the Organization to supplement the donated food products. Buying Club inventory purchases amounted to \$608,593 and \$703,908 for the years ended June 30, 2013 and 2012, respectively.

The following is a summary of food donated and distributed for the years ended June 30:

|                                   | 2013                |                               | 2012               |                               |
|-----------------------------------|---------------------|-------------------------------|--------------------|-------------------------------|
|                                   | Pounds              | Average<br>Wholesale<br>Value | Pounds             | Average<br>Wholesale<br>Value |
| Inventory, beginning of year      | 339,286             | \$ 563,212                    | \$ 212,778         | \$ 353,209                    |
| Donated food received             | <u>10,479,007</u>   | <u>17,709,522</u>             | <u>9,711,165</u>   | <u>16,120,534</u>             |
|                                   | <u>10,818,293</u>   | <u>18,272,734</u>             | <u>9,923,943</u>   | <u>16,473,743</u>             |
| Less:                             |                     |                               |                    |                               |
| Food distributed                  | (9,662,582)         | (16,329,764)                  | (9,066,490)        | (15,050,373)                  |
| Food shrinkage<br>and adjustments | <u>(857,304)</u>    | <u>(1,438,665)</u>            | <u>(518,167)</u>   | <u>(860,158)</u>              |
|                                   | <u>(10,519,886)</u> | <u>(17,768,429)</u>           | <u>(9,584,657)</u> | <u>(15,910,531)</u>           |
| Inventory, ending of year         | <u>298,407</u>      | <u>\$ 504,305</u>             | <u>339,286</u>     | <u>\$ 563,212</u>             |

**CONNECTICUT FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**NOTE 5 - INVENTORY, DONATED FOOD DISTRIBUTED (CONTINUED)**

The following is a summary of TEFAP commodities received and distributed for the years ended June 30:

|                                   | 2013               |                               | 2012               |                               |
|-----------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|
|                                   | Pounds             | Average<br>Wholesale<br>Value | Pounds             | Average<br>Wholesale<br>Value |
| Inventory, beginning of year      | 272,124            | \$ 451,726                    | 679,166            | \$ 1,127,416                  |
| TEFAP commodities received        | <u>5,712,227</u>   | <u>9,653,664</u>              | <u>3,945,484</u>   | <u>6,549,503</u>              |
|                                   | <u>5,984,351</u>   | <u>10,105,390</u>             | <u>4,624,650</u>   | <u>7,676,919</u>              |
| Less:                             |                    |                               |                    |                               |
| Food distributed                  | (5,457,649)        | (9,223,427)                   | (4,350,145)        | (7,221,241)                   |
| Food shrinkage<br>and adjustments | <u>(6,972)</u>     | <u>(3,619)</u>                | <u>(2,381)</u>     | <u>(3,952)</u>                |
|                                   | <u>(5,464,621)</u> | <u>(9,227,046)</u>            | <u>(4,352,526)</u> | <u>(7,225,193)</u>            |
| Inventory, ending of year         | <u>519,730</u>     | <u>\$ 878,344</u>             | <u>272,124</u>     | <u>\$ 451,726</u>             |

**CONNECTICUT FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**NOTE 6 - LAND, BUILDING AND EQUIPMENT AND DEPRECIATION**

A summary of land, building and equipment is as follows at June 30:

|  | 2013                | 2012                |
|--|---------------------|---------------------|
|  | <hr/>               | <hr/>               |
| Land   | \$ 215,743          | \$ 215,743          |
| Building and improvements                          | 2,768,822           | 2,770,209           |
| Leasehold improvements                             | 101,804             | 90,814              |
| Furniture and equipment                            | 1,062,358           | 1,063,133           |
| Vehicles   | <u>929,397</u>      | <u>617,774</u>      |
|  | 5,078,124           | 4,757,673           |
| Less, accumulated<br>depreciation and amortization | <u>3,510,645</u>    | <u>3,277,430</u>    |
|  | <u>\$ 1,567,479</u> | <u>\$ 1,480,243</u> |

**NOTE 7 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30:

|  | 2013                | 2012                |
|--|---------------------|---------------------|
|  | <hr/>               | <hr/>               |
| Contributions received to meet the food needs<br>of local residents through the Organization,<br>to assess and strengthen the network capacity<br>to respond to disasters, and to prepare<br>to meet longer term anti-hunger needs | \$ 464,349          | \$ 1,000,000        |
| Subsequent year's programs:  |                     |                     |
| Mobile Pantry program  | 46,500              | 38,750              |
| Kid's Backpack program   | 86,511              | 15,000              |
| Grocery on Wheels program  | 248,104             | ---                 |
| Other programs   | 55,000              | 11,667              |
| Building fund  | <u>199,021</u>      | <u>--</u>           |
|  | <u>\$ 1,099,485</u> | <u>\$ 1,065,417</u> |

**CONNECTICUT FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

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**NOTE 8 - LEASE COMMITMENT**

The Organization leases warehouse space for its Waterbury operations under the terms of an operating lease that expires September 30, 2014. Rent under the lease is due in minimum annual rentals as defined in the lease, plus proportionate charges for real estate taxes and other building operating costs.

Total rental expense charged to operations amounted to \$76,080 in each of the years ended June 30, 2013 and 2012.

At June 30, future minimum lease payments are as follows:

|      |    |               |
|------|----|---------------|
| 2014 | \$ | 76,080        |
| 2015 |    | <u>19,020</u> |
|      | \$ | <u>95,100</u> |



# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

#### NOTE 9 - GRANTS

The Organization records the entire amount of grants as receivable when notified of approval. Revenue is recognized ratably over the period of the grant or based on actual expenses incurred, with any unearned portion recorded as deferred grant revenue.

| Grant Title   | Amount of Grant | Period Covered                       | Revenue Recognized |            | Deferred Grant Revenue |           |
|---|-----------------|--------------------------------------|--------------------|------------|------------------------|-----------|
|   |                 |                                      | 2013               | 2012       | 2013                   | 2012      |
| State of Connecticut:                                   |                 |                                      |                    |            |                        |           |
| Department of Social Services:                          |                 |                                      |                    |            |                        |           |
| State Supplemental Nutrition Assistance Program (SSNAP) | \$ 605,825      | October 1, 2012 - September 30, 2013 | \$ 384,046         | \$ --      | \$ 68,026              | \$ --     |
|   | \$ 604,422      | October 1, 2011 - September 30, 2012 | 211,879            | 392,541    | --                     | 25,121    |
|   | \$ 604,422      | October 1, 2010 - September 30, 2011 | --                 | 207,581    | --                     | --        |
| The Emergency Food Assistance Program (TEFAP)           | \$ 336,565      | October 1, 2012 - September 30, 2013 | 249,884            | --         | --                     | --        |
|   | \$ 336,565      | October 1, 2011 - September 30, 2012 | 86,681             | 249,884    | --                     | --        |
|   | \$ 343,881      | October 1, 2010 - September 30, 2011 | --                 | 93,997     | --                     | --        |
| Totals  |                 |                                      | \$ 932,490         | \$ 944,003 | \$ 68,026              | \$ 25,121 |