

CONNECTICUT FOOD BANK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

CONNECTICUT FOOD BANK, INC.

CONTENTS

Independent Auditors' Report	1
---	---

Financial Statements

Balance Sheets	2 - 3
Statements of Activities	4
Statements of Changes in Net Assets.....	5
Statements of Functional Expenses	6
Statements of Cash Flows.....	7

Notes to Financial Statements	8 - 22
--	--------

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Connecticut Food Bank, Inc.

We have audited the accompanying balance sheets of Connecticut Food Bank, Inc. as of June 30, 2012 and 2011, and the related statements of activities, change in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2012 and 2011, and the results of its operations, changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Marcum LLP

New Haven, CT
December 11, 2012

CONNECTICUT FOOD BANK, INC.

BALANCE SHEETS

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,480,549	\$ 1,332,535
Short-term investments	53,491	1,079,826
Accounts receivable, less allowance for doubtful accounts of \$24,486 in 2012 and \$16,874 in 2011	114,578	302,524
Grants receivable	--	85,355
Prepaid expenses and other	49,268	7,081
Inventory	<u>1,239,920</u>	<u>1,735,589</u>
Total Current Assets	<u>2,937,806</u>	<u>4,542,910</u>
Assets Whose Use is Limited		
Internally designated by the Board:		
Cash and cash equivalents	1,435,433	--
Short-term investments	5,142,192	4,088,000
Investments, at fair value	<u>2,281,000</u>	<u>1,821,883</u>
Total Assets Whose Use is Limited	<u>8,858,625</u>	<u>5,909,883</u>
Land, Building and Equipment - net	<u>1,480,243</u>	<u>1,641,940</u>
	<u>\$ 13,276,674</u>	<u>\$ 12,094,733</u>

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

CONNECTICUT FOOD BANK, INC.

BALANCE SHEETS (CONTINUED)

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 355,563	\$ 366,171
Accrued vacation	107,249	84,694
Deferred grant revenue	<u>25,121</u>	<u>56,480</u>
Total Current Liabilities	<u>487,933</u>	<u>507,345</u>
Net Assets		
Unrestricted		
Designated by the Governing Board	8,858,625	5,909,883
Undesignated	2,864,699	5,666,505
Temporarily restricted	<u>1,065,417</u>	<u>11,000</u>
Total Net Assets	<u>12,788,741</u>	<u>11,587,388</u>
	<u>\$ 13,276,674</u>	<u>\$ 12,094,733</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, 2012 AND 2011

	2012	2011
Revenue and Other Support		
Contributions and fundraising	\$ 6,587,101	\$ 5,276,187
Donated food (Note 4)	22,670,037	25,194,497
Governmental grants	944,003	1,073,819
Shared maintenance and transportation	685,405	943,790
Buying Club Revenue	759,817	620,989
Storage and handling charges	15,668	15,944
Membership fees	9,808	10,271
Net assets released from restrictions	170,025	287,558
	<u>31,841,864</u>	<u>33,423,055</u>
Expenses		
Program services:		
Food distribution	29,376,336	29,979,137
Public education and awareness	590,187	606,399
Supporting services:		
General and administrative	822,371	797,982
Fundraising	918,162	863,170
	<u>31,707,056</u>	<u>32,246,688</u>
Income From Operating Activities	<u>134,808</u>	<u>1,176,367</u>
Nonoperating Activities		
Return on investments	752	325,695
Interest income	11,376	19,984
	<u>12,128</u>	<u>345,679</u>
Excess of Revenue and Other Support Over Expenses	<u>\$ 146,936</u>	<u>\$ 1,522,046</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Unrestricted Net Assets		
Excess of revenue and other support over expenses	\$ 146,936	\$ 1,522,046
Other changes in unrestricted net assets:		
Grants received for the purchase of property and equipment	<u>--</u>	<u>31,928</u>
Change in Unrestricted Net Assets	<u>146,936</u>	<u>1,553,974</u>
Temporarily Restricted Net Assets		
Contributions and program revenue received	1,224,442	252,922
Net assets released from restrictions	<u>(170,025)</u>	<u>(287,558)</u>
Change in Temporarily Restricted Net Assets	<u>1,054,417</u>	<u>(34,636)</u>
Change in Net Assets	1,201,353	1,519,338
Net Assets - Beginning	<u>11,587,388</u>	<u>10,068,050</u>
Net Assets - Ending	<u>\$ 12,788,741</u>	<u>\$ 11,587,388</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, 2012 AND 2011

	Year ended June 30, 2012				Year ended June 30, 2011				
	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	
Salaries and Related Expenses									
Salaries	\$ 1,683,023	\$ 317,775	\$ 416,505	\$ 209,729	\$ 1,564,609	\$ 324,711	\$ 404,019	\$ 175,468	\$ 2,468,807
Employee benefits	252,046	51,197	63,011	27,567	232,553	47,237	58,138	25,435	363,363
Payroll taxes	142,013	31,558	36,067	15,779	139,189	30,931	35,349	15,465	220,934
Total Salaries and Related Expenses	2,077,082	400,530	515,583	253,075	1,936,351	402,879	497,506	216,368	3,053,104
Food Distribution and Warehouse Expenses									
Food distributed	23,135,724	--	--	--	24,590,707	--	--	--	24,590,707
Other food purchases	2,320,785	--	--	--	1,666,731	--	--	--	1,666,731
Freight	750,794	--	--	--	756,377	--	--	--	756,377
Maintenance and repairs	179,062	5,965	5,965	5,965	165,488	9,851	11,821	9,851	197,011
Utilities/occupancy	166,345	9,878	9,878	9,878	201,449	7,462	8,955	7,462	225,328
Truck maintenance and fuel	188,742	--	--	--	161,384	--	--	--	161,384
Storage and handling	104,032	--	--	--	66,515	--	--	--	66,515
Total Food Distribution and Warehouse Expenses	26,845,484	15,843	15,843	15,843	27,608,651	17,313	20,776	17,313	27,664,053
Other Expenses									
Fundraising activities and expenses	--	--	--	615,778	--	--	--	593,816	593,816
Depreciation and amortization	207,556	12,209	12,209	12,209	195,301	11,625	13,950	11,625	232,501
Professional fees	--	213,431	--	--	--	--	211,350	--	211,350
Insurance	91,536	5,384	11,229	5,384	81,936	5,462	16,387	5,462	109,247
Public relations	--	72,822	--	--	--	75,255	--	--	75,255
Travel and meetings	--	56,612	--	--	--	65,786	--	--	65,786
Office supplies and expenses	62,602	9,631	14,447	9,631	59,103	9,093	13,639	9,093	90,928
Postage and printing	30,361	9,342	4,671	2,335	34,117	10,498	2,624	5,249	52,488
Telephone	33,310	4,441	4,441	2,221	35,747	4,766	4,766	2,383	47,662
Other administrative	--	19,224	--	--	--	--	--	--	5,342
Dues and subscriptions	25,296	3,373	3,373	1,686	24,609	3,281	3,281	1,641	32,812
Provision for bad debts	--	7,920	--	--	--	--	7,920	--	7,920
Staff training	3,109	--	--	--	3,306	441	441	220	4,408
Interest	--	--	--	--	16	--	--	--	16
Total Other Expenses	453,770	173,814	290,945	649,244	434,135	186,207	279,700	629,489	1,529,531
Total	\$ 29,376,336	\$ 590,187	\$ 822,371	\$ 918,162	\$ 29,979,137	\$ 606,399	\$ 797,982	\$ 863,170	\$ 32,246,688

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, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	\$ 1,201,353	\$ 1,519,338
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	244,183	232,501
Net realized and unrealized gain on investments	20,573	(307,589)
Net change in donated food inventory	465,687	(603,790)
Changes in assets and liabilities:		
Accounts receivable	187,946	(112,685)
Grants receivable	85,355	37,378
Prepaid expenses and other	(42,187)	12,307
Other inventory	29,982	(114,490)
Accounts payable and accrued expenses	(10,608)	129,868
Accrued vacation	22,555	(6,440)
Deferred grant revenue	(31,359)	(1,588)
Net Cash Provided by Operating Activities	2,173,480	784,810
Cash Flows from Investing Activities		
Purchases of property and equipment	(82,486)	(129,232)
Purchases of short term investments	(27,857)	(31,431)
Proceeds from sale of investments	757,024	905,471
Purchases of investments	(1,236,714)	(1,001,893)
Net Cash Used in Investing Activities	(590,033)	(257,085)
Net Change in Cash and Cash Equivalents	1,583,447	527,725
Cash and Cash Equivalents - Beginning	1,332,535	804,810
Cash and Cash Equivalents - Ending	\$ 2,915,982	\$ 1,332,535
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ --	\$ 16

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, 2012 AND 2011

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. 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, 2012 AND 2011

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 debt instruments with original maturities of three months or less. Accounts that are non-interest bearing are fully insured by the Federal Deposit Insurance Corporation (FDIC) through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of \$250,000 available to depositors under the FDIC's general deposit insurance rules. The Organization maintains cash deposits in interest bearing accounts 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 stated at fair value in the balance sheet. 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 contingency reserve, 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, 2012 AND 2011

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	2012	2011
Planned facility expansion	\$ 4,000,000	\$ 3,000,000
Capital improvements	320,555	48,000
Operating reserve	2,657,070	1,040,000
Contingency reserve	<u>1,881,000</u>	<u>1,821,883</u>
	<u>\$ 8,858,625</u>	<u>\$ 5,909,883</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 principal 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.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2012 and 2011, 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 2009.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 11, 2012, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of June 30, 2012, have been incorporated into these financial statements herein.

NOTE 2 - INVESTMENTS

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. Fair values and unrealized appreciation at June 30, are summarized as follows:

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

	2012	2011
Cash and money market funds	\$ 463,020	\$ 91,478
Equities	752,895	698,847
Exchange traded / Closed End Funds	622,032	638,029
Government securities	209,377	218,481
Mutual Funds	193,583	166,039
Corporate bonds	40,093	9,009
	<u>\$ 2,281,000</u>	<u>\$ 1,821,883</u>

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

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - INVESTMENTS (CONTINUED)

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

	2012	2011
Interest and dividends	\$ 21,325	\$ 18,106
Realized gain	<u>41,639</u>	<u>79,059</u>
	62,964	97,165
Unrealized (loss) gain	<u>(62,212)</u>	<u>228,530</u>
	<u>\$ 752</u>	<u>\$ 325,695</u>

FAIR VALUE MEASUREMENTS

The Organization has established a framework for measuring fair value, and expanded the disclosure regarding fair value measurement, based on a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels, 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.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - INVESTMENTS (CONTINUED)

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 generally 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.

The following tables set forth by level within the fair value hierarchy the investments at fair value, 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 / 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>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 - INVESTMENTS (CONTINUED)

	2011		
	Level 1	Level 2	Total
Investments:			
Cash and money market funds	\$ 91,478	\$ --	\$ 91,478
Corporate bonds	--	9,009	9,009
Equities	698,847	--	698,847
Government securities	218,481	--	218,481
Mutual Funds	166,039	--	166,039
Exchange Traded / Closed End Funds	<u>638,029</u>	<u>--</u>	<u>638,029</u>
	<u>1,812,874</u>	<u>9,009</u>	<u>1,821,883</u>
Short-term investments:			
Certificates of deposit	<u>5,167,826</u>	<u>--</u>	<u>5,167,826</u>
	<u>\$ 6,980,700</u>	<u>\$ 9,009</u>	<u>\$ 6,989,709</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.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 4 - INVENTORY, DONATED FOOD DISTRIBUTED

Inventory consists of the following at June 30:

	<u>2012</u>	<u>2011</u>
Donated food	\$ 563,212	\$ 353,209
Temporary Emergency Food Assistance Program (TEFAP) commodities	451,726	1,127,416
Purchased food	<u>224,982</u>	<u>254,964</u>
	<u>\$ 1,239,920</u>	<u>\$ 1,735,589</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.

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 \$1.66 in 2012 and 2011 was used by Connecticut Food Bank, Inc., based on the results of Feeding America's study.

In addition, commodities provide for warehousing and distribution of commodities under the TEFAP program are valued using the average wholesale value per pound based upon the Feeding America study.

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 4 - INVENTORY, DONATED FOOD DISTRIBUTED (CONTINUED)

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 \$703,908 and \$571,547 for the years ended June 30, 2012 and 2011, respectively.

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

	2012		2011	
	Pounds	Average Wholesale Value	Pounds	Average Wholesale Value
Inventory, beginning of year	212,778	\$ 353,209	375,331	\$ 600,528
Donated food received	<u>9,711,165</u>	<u>16,120,534</u>	<u>7,555,584</u>	<u>12,542,269</u>
	<u>9,923,943</u>	<u>16,473,743</u>	<u>7,930,915</u>	<u>13,142,797</u>
Less:				
Food distributed	(9,066,490)	(15,050,373)	(6,852,177)	(11,374,614)
Food shrinkage and adjustments	<u>(518,167)</u>	<u>(860,158)</u>	<u>(865,960)</u>	<u>(1,414,974)</u>
	<u>(9,584,657)</u>	<u>(15,910,531)</u>	<u>(7,718,137)</u>	<u>(12,789,588)</u>
Inventory, ending of year	<u>339,286</u>	<u>\$ 563,212</u>	<u>212,778</u>	<u>\$ 353,209</u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 4 - INVENTORY, DONATED FOOD DISTRIBUTED (CONTINUED)

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

	2012		2011	
	Pounds	Average Wholesale Value	Pounds	Average Wholesale Value
Inventory, beginning of year	679,166	\$ 1,127,416	172,692	\$ 276,307
TEFAP commodities received	<u>3,945,484</u>	<u>6,549,503</u>	<u>7,621,824</u>	<u>12,652,228</u>
	<u>4,624,650</u>	<u>7,676,919</u>	<u>7,794,516</u>	<u>12,928,535</u>
Less:				
Food distributed	(4,350,145)	(7,221,241)	(7,090,625)	(11,770,438)
Food shrinkage and adjustments	<u>(2,381)</u>	<u>(3,952)</u>	<u>(24,725)</u>	<u>(30,681)</u>
	<u>(4,352,526)</u>	<u>(7,225,193)</u>	<u>(7,115,350)</u>	<u>(11,801,119)</u>
Inventory, ending of year	<u>272,124</u>	<u>\$ 451,726</u>	<u>679,166</u>	<u>\$ 1,127,416</u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5 - LAND, BUILDING AND EQUIPMENT AND DEPRECIATION

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

	<u>2012</u>	<u>2011</u>
Land	\$ 215,743	\$ 215,743
Building and improvements	2,770,209	2,770,209
Leasehold improvements	90,814	80,967
Furniture and equipment	1,063,133	990,494
Vehicles	<u>617,774</u>	<u>617,774</u>
	4,757,673	4,675,187
Less, accumulated depreciation and amortization	<u>3,277,430</u>	<u>3,033,247</u>
	<u>\$ 1,480,243</u>	<u>\$ 1,641,940</u>

NOTE 6 - RESTRICTIONS ON NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Contribution received to meet the food needs of local residents through the Organization, to assess and strengthen the network capacity to respond to disasters, and to prepare to meet longer term anti-hunger needs	\$ 1,000,000	\$ --
Subsequent year's programs:		
Mobile Pantry program	38,750	--
Kid's Backpack program	15,000	11,000
Other programs	<u>11,667</u>	<u>--</u>
	<u>\$ 1,065,417</u>	<u>\$ 11,000</u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 7 - 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, 2012 and 2011.

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

2013	\$	76,080
2014		76,080
2015		<u>19,020</u>
	\$	<u>171,180</u>

CONNECTICUT FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 8 - 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	
			2012	2011	2012	2011
State of Connecticut:						
Department of Social Services:						
State Supplemental Nutrition Assistance Program (SSNAP)	\$ 604,422	October 1, 2011 - September 30, 2012	\$ 392,541	\$ --	\$ 25,121	\$ --
	\$ 604,422	October 1, 2010 - September 30, 2011	207,581	396,835	--	56,480
	\$ 722,061	October 1, 2009 - September 30, 2010	--	254,116	--	--
The Emergency Food Assistance Program (TEFAP)	\$ 333,179	October 1, 2011 - September 30, 2012	249,884	--	--	--
	\$ 343,881	October 1, 2010 - September 30, 2011	93,997	249,884	--	--
	\$ 337,106	October 1, 2009 - September 30, 2010	--	85,328	--	--
The Emergency Food Assistance Program (TEFAP) under funding received from The American Recovery and Reinvestment Act	\$ 465,654	April 1, 2009 - December 31, 2010	--	119,584	--	--
Totals			\$ 944,003	\$ 1,105,747	\$ 25,121	\$ 56,480