



Financial Statements  
April 30, 2011

# Idaho Foodbank Warehouse, Inc.

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CPAs & BUSINESS ADVISORS

## Independent Auditor's Report

To the Board of Directors  
Idaho Foodbank Warehouse, Inc.  
Boise, Idaho

We have audited the accompanying balance sheet of Idaho Foodbank Warehouse, Inc. (the Organization), an Idaho nonprofit organization, as of April 30, 2011, and the related statements of activities, functional expenses and cash flows for the year 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 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 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 do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Idaho Foodbank Warehouse, Inc. as of April 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Boise, Idaho  
August 02, 2011

## Idaho Foodbank Warehouse, Inc.

Balance Sheet  
April 30, 2011

## Assets

## Current Assets

Cash and cash equivalents	\$ 1,140,252
Investments	1,134,139
Accounts receivable	52,826
Pledges receivable	6,675
Food inventory	1,255,958
Prepaid expenses	33,708
	<u>3,623,558</u>
Total current assets	<u>3,623,558</u>

## Property and Equipment

Land and land improvements	290,784
Buildings and leasehold improvements	2,761,931
Furniture, fixtures and equipment	426,998
Vehicles	763,727
	<u>4,243,440</u>

Accumulated depreciation	<u>(1,040,766)</u>
	<u>3,202,674</u>

Pledges receivable - long term	<u>1,000</u>
	<u>\$ 6,827,232</u>

## Liabilities and Net Assets

## Current Liabilities

Accounts payable	\$ 83,002
Current portion of capital leases	431
Accrued expenses and compensated absences	175,194
	<u>258,627</u>
Total current liabilities	<u>258,627</u>

## Long-Term Liabilities

Long-term debt	60,803
Capital leases - long-term portion	16,945
	<u>77,748</u>

Total liabilities	336,375
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## Net Assets

Unrestricted	
Board designated endowment fund	348,753
Undesignated	4,518,867
Temporarily restricted	1,623,237
	<u>6,490,857</u>

Total net assets	<u>6,490,857</u>
	<u>\$ 6,827,232</u>

See Notes to Financial Statements

Idaho Foodbank Warehouse, Inc.

Statement of Activities  
Year Ended April 30, 2011

	Unrestricted	Temporarily Restricted			Total
		Contributed Food	Other	Total	
Revenues and Support					
United Way	\$ 123,489	\$ -	\$ -	\$ -	\$ 123,489
Contributions	3,077,879	-	922,875	922,875	4,000,754
Federal/State campaigns	237,296	-	-	-	237,296
Program services	49,697	-	-	-	49,697
Special events	374,953	-	-	-	374,953
Investment earnings	19,747	-	-	-	19,747
Investment realized and unrealized gains	145,069	-	-	-	145,069
Food contributions	-	16,341,665	-	16,341,665	16,341,665
In-kind contributions	516,730	-	-	-	516,730
Other sources	61,777	-	-	-	61,777
Total revenues and support	<u>4,606,637</u>	<u>16,341,665</u>	<u>922,875</u>	<u>17,264,540</u>	<u>21,871,177</u>
Net Assets Released from Restriction					
Food distributions	16,567,442	(16,567,442)	-	(16,567,442)	-
Program restriction	828,799	-	(828,799)	(828,799)	-
	<u>17,396,241</u>	<u>(16,567,442)</u>	<u>(828,799)</u>	<u>(17,396,241)</u>	<u>-</u>
Total Revenues, Support and Release of Restrictions	<u>22,002,878</u>	<u>(225,777)</u>	<u>94,076</u>	<u>(131,701)</u>	<u>21,871,177</u>
Expenses					
Administration	599,986	-	-	-	599,986
Fundraising	892,129	-	-	-	892,129
Program	19,995,431	-	-	-	19,995,431
Total expenditures	<u>21,487,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,487,546</u>
Increase (Decrease) in Net Assets	515,332	(225,777)	94,076	(131,701)	383,631
Net Assets, Beginning of Year	<u>4,352,288</u>	<u>1,393,394</u>	<u>361,544</u>	<u>1,754,938</u>	<u>6,107,226</u>
Net Assets, End of Year	<u>\$ 4,867,620</u>	<u>\$ 1,167,617</u>	<u>\$ 455,620</u>	<u>\$ 1,623,237</u>	<u>\$ 6,490,857</u>

Idaho Foodbank Warehouse, Inc.  
Statement of Functional Expenses  
Year Ended April 30, 2011

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	<u>Administration</u>	<u>Fundraising</u>	<u>Program</u>	<u>Total All Funds</u>
Food purchased and distributed	\$ -	\$ -	\$ 17,326,246	\$ 17,326,246
Salary and fringe benefits	340,891	421,449	1,296,891	2,059,231
Occupancy	11,848	15,798	169,828	197,474
Office supplies	12,153	8,631	64,897	85,681
Depreciation	490	6,218	218,559	225,267
Other operating expenses	180,936	3,831	833,910	1,018,677
Interest expenses	8,471	-	-	8,471
Management and general	45,197	24,861	-	70,058
Direct mail costs	-	411,341	-	411,341
Grant and contract expenses	-	-	85,100	85,100
<b>Total Expenses</b>	<b><u>\$ 599,986</u></b>	<b><u>\$ 892,129</u></b>	<b><u>\$ 19,995,431</u></b>	<b><u>\$ 21,487,546</u></b>

## Idaho Foodbank Warehouse, Inc.

Statement of Cash Flows

Year Ended April 30, 2011

Cash Flows from Operating Activities	
Change in net assets	\$ 383,631
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	225,267
Unrealized gain on investments	(139,778)
Loss on disposal of asset	21,031
Non-cash contributions	(161,967)
Change in assets and liabilities	
Accounts receivable	(12,563)
Pledges receivable	28,800
Food inventory	233,652
Prepaid expenses	15,535
Accounts payable	17,495
Accrued expenses	83,350
Deferred revenue	(6,400)
Net Cash from Operating Activities	<u>688,053</u>
Cash Flows from Investing Activities	
Purchase of fixed assets	(287,760)
Purchase of investments	(22,244)
Net Cash used for Investing Activities	<u>(310,004)</u>
Cash Flows from Financing Activities	
Principal payments on long-term debt	(73,643)
Net Cash used for Financing Activities	<u>(73,643)</u>
Net Increase in Cash and Cash Equivalents	304,406
Cash and Cash Equivalents, Beginning of Year	<u>835,846</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,140,252</u>
Supplemental Cash Flows Disclosure	
Interest paid	\$ 8,549
Non cash investing and financing activities	
Donation of fixed assets	\$ 161,967
Fixed assets acquired through a capital lease	\$ 20,666

## **Note 1 - Principal Business Activity and Significant Accounting Policies**

### **Activity**

The Idaho Foodbank Warehouse, Inc. (the Organization) is organized and operated to work in partnership with the food industry and various organizations, to feed the hungry throughout the State of Idaho.

### **Basis of Accounting**

The net assets of the Organization are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted assets, and (c) permanently restricted net assets. Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Board designated endowment fund net assets – Net assets that the Board has designated to function as an endowment. The Board can authorize the use of these amounts at their discretion.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of Idaho Foodbank Warehouse, Inc. and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Idaho Foodbank Warehouse, Inc. Generally, the donors of these assets permit Idaho Foodbank Warehouse, Inc. to use all or part of the income earned on related investments for general or specific purposes. Idaho Foodbank Warehouse, Inc. has no permanently restricted net assets at April 30, 2011.

Idaho Foodbank Warehouse, Inc. is a Voluntary Health and Welfare Organization and accordingly is required to present a Statement of Functional Expenses. The objective of the statement is to disclose the allocation of natural expenses (salaries, rent, supplies, etc.) to the various programs administered by the Voluntary Health and Welfare Organization.

### **Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

### **Cash, Cash Equivalents and Investments**

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities. Investments are carried at market value. The cost of investments sold for determining gain or loss is based on specific identification and unrealized gains or losses are included in the Statement of Activities.

**Property and Equipment**

Property and equipment over \$750 are capitalized and stated at cost or fair market value at time of donation and are being depreciated using the straight-line method of depreciation over the estimated useful lives as shown in the table below.

	<u>Life in years</u>
Building and leasehold improvements	3-39
Furniture, fixtures and equipment	3-10
Vehicles	7

**Receivables**

Receivables represent amounts due from various agencies and organizations for payment of handling fees. All amounts are current and no provision for doubtful accounts is considered necessary. Donated food and other products are generally distributed at a nominal handling fee per pound, which generates handling fee revenue and accounts receivable.

Pledges receivable are recorded as contributions when the promise to give is legally enforceable. The Organization provides for losses on pledges receivable using the allowance method. The allowance is based on specific identification. It is the Organization's policy to charge off uncollectible receivables when management determines the receivables will not be collected. At April 30, 2011 are all deemed collectible and there is no allowance for uncollectible accounts.

**Food Inventory**

Donated food inventory consists of donated food and other products that are valued at an average donated per-pound as determined by Feeding America. Donated food and other products on hand at April 30, 2011 totaled 731,726 pounds and the average wholesale value was \$1.66 per pound.

The Organization values its donated food inventory and cost of donated food distributed using the price per pound provided by Feeding America as stated in the most recently completed Product Valuation Survey, Agreed-Upon Procedures and a communication from KPMG, LLP for the calendar year ended December 31, 2010. The Product Valuation Survey is updated annually by Feeding America.

Purchased food inventory consists of food purchased by the Idaho Foodbank Warehouse, Inc. and is valued at actual cost. At April 30, 2011, purchased food totaled 155,108 lbs. with a value of \$93,566.

**Contributed Support**

Idaho Foodbank Warehouse, Inc. recognizes all contributed support received as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. 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.

Idaho Foodbank Warehouse, Inc. records various types of in-kind support including contributed property and equipment, professional services and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The total amount contributed related to professional services, equipment and supplies, and use of storage space as of April 30, 2011 was \$91,844, \$393,137, and \$11,185, respectively.

Additionally, Idaho Foodbank Warehouse, Inc. receives a significant amount of contributed time which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

### **Advertising Costs**

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended April 30, 2011 was \$22,649.

### **Income Taxes**

The Organization has obtained approval from the Internal Revenue Service to operate as a non-profit 501(c)(3) organization, not subject to federal or state income taxes. Therefore, no provision for income taxes has been made in these financial statements.

The Organization has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes), on May 1, 2009. The implementation of this standard had no impact on the financial statements. As of both the date of adoption, and as of April 30, 2011, the unrecognized tax benefit accrual was zero.

The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Organization is no longer subject to Federal tax examinations by tax authorities for years before 2006 and state examinations for years before 2006.

### **Fair Value Measurements**

The Organization has determined the fair value of certain assets and liabilities in accordance with the provisions of FASC ASC 820, Fair Value Measurements and Disclosures (formerly Statement No. 157, Fair Value Measurements, which provides a framework for measuring fair value under generally accepted accounting principles.

FASC ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASC ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASC ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

**Subsequent Events**

The Organization has evaluated subsequent events through August 02, 2011, the date which the financial statements were issued.

**Note 2 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for future operations for the following contributions:

Food and other products for distribution	\$ 1,167,617
Restricted programs	447,945
Time restrictions	<u>7,675</u>
 Total temporarily restricted net assets	 <u><u>\$ 1,623,237</u></u>

**Note 3 - Defined Contribution Plan**

Idaho Foodbank Warehouse, Inc. sponsors a 403 (b) plan for employees, a defined contribution plan to which it will match employee contributions dollar for dollar up to the maximum of 4.5% of the employee's gross salary figured on a monthly basis. The employee must complete one year of employment from date of hire before eligibility before the matching contribution is available. Effective September 1, 2010, Idaho Foodbank Warehouse, Inc, converted the 403 (b) plan into a 401 (k) plan. Included in this conversion was expanding what was considered an eligible employee to include part-time employees as well as full-time employees once a minimum hour requirement of 1,000 hours were met and have worked for the Organization for one full year. Under the 401 (k) plan, the employer will match employee contributions 100% up to 3% and then 50% of the employees contribution up to 4.5%. The total employer matching for the year ended April 30, 2011 was \$30,407.

**Note 4 - Concentrations of Credit Risk**

Idaho Foodbank Warehouse, Inc. maintains cash balances at more than one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At April 30, 2011, the Organization's cash balance exceeded FDIC insurance coverage.

**Note 5 - Pledges Receivable**

For the fiscal year ended April 30, 2011, Idaho Foodbank Warehouse, Inc. recorded \$6,675 of gift revenue in the form of pledges receivable. The estimated collection of these gifts is as follows:

One year or less	\$ 6,675
2012	<u>1,000</u>
 Pledges receivable	 <u><u>\$ 7,675</u></u>

As of April 30, 2011, \$5,000 of the outstanding pledges receivable balance was due from board members.

**Note 6 - Long-Term Debt**

Long-term debt at April 30 consists of the following:

Three notes payable to the City of Pocatello due in full upon sale of the Pocatello warehouse. The interest rate is 0% and the notes are secured by a deed of trust on the Pocatello Warehouse.	\$ 60,803
Less current portion	-
	\$ 60,803

A summary of scheduled principal maturities of the long-term debt is as follows:

Year ended April 30,	
2012	\$ -
2013	-
2014	-
2015	-
2016	-
Thereafter	60,803
	\$ 60,803

**Note 7 - Lease Commitment**

The Organization has three capital leases for certain office equipment. The lease expirations range from November 2014 to March 2016 with annual payments ranging from \$862 to \$2,285. At April 30, 2011, the minimum lease payments due under these capital leases are as follows:

Year ended April 30,	
2012	\$ 4,597
2013	4,597
2014	4,597
2015	3,699
2016	1,818
	19,308
Total minimum lease payments	19,308
Less amount representing interest	(1,932)
	17,376
Present value of minimum lease payments	17,376
Less current portion	(431)
	\$ 16,945
Long-term portion	\$ 16,945

The capitalized cost of the assets under the capital leases is \$20,666 with accumulated depreciation of \$3,701 as of April 30, 2011.

The Organization is obligated under a non-cancelable lease for building and warehouse space. Rent expense under the operating lease was \$20,100.

The required minimum rental payments under the lease at April 30, 2011 are \$13,400 for the year ended April 30, 2012.

**Note 8 - Fair Value of Assets and Liabilities**

Assets and liabilities measured at fair value on a recurring basis at April 30, 2011, are as follows:

Investments, at fair value	\$ 1,134,139
Total assets	\$ 1,134,139

The related fair values of these assets and liabilities are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
April 30, 2011			
Investments, at fair value			
Bonds	\$ 289,628	\$ -	\$ -
Common stocks			
Other	2,503	-	-
Mutual funds			
Large value funds	121,665	-	-
Index funds	131,646	-	-
Mid-cap blend	48,832	-	-
International	174,126	-	-
Growth funds	222,588	-	-
Large blend funds	92,774	-	-
Other	50,377	-	-
Total assets	\$ 1,134,139	\$ -	\$ -

The fair value for investments is determined by reference to quoted market prices.

**Note 9 - Endowment**

The Idaho Foodbank Warehouse, Inc.'s endowment consists of one fund established for board designated purposes. Its endowment includes funds designated by the Board of Directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The management of the Idaho Foodbank Warehouse, Inc. (the Organization) has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

The composition of Endowment Net Assets by fund type as of April 30, 2011 is as follows:

	<u>Unrestricted</u>
Board designated endowment funds	\$ 348,753
	<u>\$ 348,753</u>

Changes in Endowment Net Assets for the year ended April 30, 2011 are as follows:

	<u>Unrestricted</u>
Endowment net assets, beginning of the year	\$ 300,243
Investment return:	
Investment income	6,209
Net realized and unrealized appreciation	42,301
Contributions	<u>-</u>
Endowment net assets, end of the year	<u>\$ 348,753</u>

As of April 30, 2011, there were no temporarily restricted or permanently restricted balances or transactions related to the endowment.

**Funds with Deficiencies (Disclosure required by paragraph 15(d) of Statement 124)**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA required the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no deficiencies of this nature that are reported in unrestricted net assets as of April 30, 2011.

**Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that obtains a maximum return consistent with a prudent investment style to reduce risk of both principal and income.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that includes both fixed-income and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy that no distributions of the corpus are to be made unless a declaration of a state of emergency is made and two-thirds of the Board of Directors votes positively to use the funds to address the emergency. Annual income from the funds may be applied as determined by the Organization. Any unspent income becomes part of the corpus.

**Note 10 - Legal Matters**

The Organization is a defendant in a legal matter and have recorded a contingent liability of \$40,000, which is included in accrued expenses as of April 30, 2011. The Organization's maximum exposure is limited to the insurance deductible of \$75,000.