

FINANCIAL STATEMENTS
APRIL 30, 2009

IDAHO FOODBANK WAREHOUSE, INC.

IDAHO FOODBANK WAREHOUSE, INC.

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Idaho Foodbank Warehouse, Inc. (the Organization), an Idaho nonprofit organization, as of April 30, 2009, 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, 2009, 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 11, 2009

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IDAHO FOODBANK WAREHOUSE, INC.
STATEMENT OF FINANCIAL POSITION
APRIL 30, 2009

ASSETS

CURRENT ASSETS

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 833,361 |
| Investments | 470,520 |
| Accounts receivable | 70,768 |
| Pledges receivable | 67,775 |
| Food inventory | 1,179,485 |
| Prepaid expenses | 24,744 |
| Total current assets | <u>2,646,653</u> |

PROPERTY AND EQUIPMENT

| | |
|--------------------------------------|---------------------|
| Land and land improvements | 290,784 |
| Buildings and leasehold improvements | 2,542,023 |
| Furniture, fixtures and equipment | 398,193 |
| Vehicles | 569,380 |
| | <u>3,800,380</u> |
| Accumulated depreciation | (764,765) |
| | <u>3,035,615</u> |
| | <u>\$ 5,682,268</u> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---|-----------|
| Accounts payable | \$ 40,800 |
| Current portion of long-term debt | 24,514 |
| Accrued expenses and compensated absences | 87,314 |
| Total current liabilities | 152,628 |

LONG-TERM LIABILITIES

| | |
|-------------------|----------------|
| Long-term debt | <u>193,599</u> |
| Total liabilities | 346,227 |

NET ASSETS

| | |
|------------------------|---------------------|
| Unrestricted | 4,114,272 |
| Temporarily restricted | 1,221,769 |
| Total net assets | <u>5,336,041</u> |
| | <u>\$ 5,682,268</u> |

IDAHO FOODBANK WAREHOUSE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2009

| | Unrestricted | Temporarily Restricted | | | Total |
|--|--------------------|------------------------|-------------------|---------------------|--------------------|
| | | Contributed | | Total | |
| | | Food | Other | | |
| REVENUES AND SUPPORT | | | | | |
| United Way | \$ 196,527 | \$ - | \$ - | \$ - | \$ 196,527 |
| Contributions | 2,487,091 | - | 866,830 | 866,830 | 3,353,921 |
| Federal/State campaigns | 286,041 | - | - | - | 286,041 |
| Program services | 179,131 | - | - | - | 179,131 |
| Special events | 184,909 | - | - | - | 184,909 |
| Investment earnings | 29,202 | - | - | - | 29,202 |
| Investment realized and unrealized gains/(losses) | (229,160) | | | | (229,160) |
| Food contributions | - | 10,487,845 | - | 10,487,845 | 10,487,845 |
| In-kind contributions | 240,441 | - | - | - | 240,441 |
| Other sources | 13,511 | - | - | - | 13,511 |
| Total revenues and support | 3,387,693 | 10,487,845 | 866,830 | 11,354,675 | 14,742,368 |
| NET ASSETS RELEASED FROM RESTRICTION | | | | | |
| Food distributions | 10,158,992 | (10,158,992) | - | (10,158,992) | - |
| Program restriction | 903,544 | - | (903,544) | (903,544) | - |
| | 11,062,536 | (10,158,992) | (903,544) | (11,062,536) | - |
| TOTAL REVENUES, SUPPORT AND RELEASE OF RESTRICTIONS | 14,450,229 | 328,853 | (36,714) | 292,139 | 14,742,368 |
| EXPENSES | | | | | |
| Administration | 352,515 | - | - | - | 352,515 |
| Fundraising | 805,069 | - | - | - | 805,069 |
| Program | 13,054,898 | - | - | - | 13,054,898 |
| Total expenditures | 14,212,482 | - | - | - | 14,212,482 |
| INCREASE (DECREASE) IN NET ASSETS | 237,747 | 328,853 | (36,714) | 292,139 | 529,886 |
| NET ASSETS, beginning of year | 3,876,525 | 785,511 | 144,119 | 929,630 | 4,806,155 |
| NET ASSETS, end of year | \$4,114,272 | \$ 1,114,364 | \$ 107,405 | \$ 1,221,769 | \$5,336,041 |

IDAHO FOODBANK WAREHOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2009

| | <u>Administration</u> | <u>Fundraising</u> | <u>Program</u> | <u>Total All Funds</u> |
|--------------------------------|-----------------------|--------------------|----------------------|--------------------------------|
| Food purchased and distributed | \$ - | \$ - | \$ 10,808,072 | \$ 10,808,072 |
| Salary and fringe benefits | 213,418 | 263,098 | 1,315,643 | 1,792,159 |
| Occupancy | 13,615 | 18,154 | 195,151 | 226,920 |
| Office supplies | 1,540 | 2,438 | 79,418 | 83,396 |
| Depreciation | 1,677 | 3,847 | 165,792 | 171,316 |
| Other operating expenses | 96,566 | 73,690 | 484,822 | 655,078 |
| Management and general | 25,699 | 29,075 | - | 54,774 |
| Direct mail costs | - | 414,767 | - | 414,767 |
| Grant and contract expenses | - | - | 6,000 | 6,000 |
| TOTAL EXPENSES | <u>\$ 352,515</u> | <u>\$ 805,069</u> | <u>\$ 13,054,898</u> | <u>\$ 14,212,482</u> |

IDAHO FOODBANK WAREHOUSE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2009

| | |
|--|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Change in net assets | \$ 529,886 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | |
| Depreciation | 171,316 |
| Unrealized loss on investments | 161,808 |
| Gain on disposal of asset | (11,185) |
| Non-cash contributions | (159,908) |
| Change in assets and liabilities | |
| Accounts receivable | (47,331) |
| Pledges receivable | 50,250 |
| Food inventory | (344,303) |
| Prepaid expenses | 8,034 |
| Accounts payable | (54,790) |
| Accrued expenses | 18,146 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>321,923</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of fixed assets | (607,006) |
| Proceeds from sale of fixed assets | 39,500 |
| Sale of investments | 150,000 |
| Purchase of investments | 53,271 |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(364,235)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Principal payments on long-term debt | (209,722) |
| Proceeds from long-term debt | 60,803 |
| NET CASH USED BY FINANCING ACTIVITIES | <u>(148,919)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (191,231) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,024,592</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 833,361</u></u> |
| Interest paid | \$ 23,705 |
| Non cash investing and financing activities | |
| Donation of fixed assets | \$ 151,408 |
| Trade-in allowance | \$ 8,500 |

IDAHO FOODBANK WAREHOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2009

NOTE 1 –SUMMARY OF 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.

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, 2009.

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.

NOTES TO FINANCIAL STATEMENTS

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 improvements | 39 |
| Fixtures | 10-15 |
| Vehicles | 7 |
| Machinery and equipment | 5-7 |

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, 2009 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 America's Second Harvest - The Nation's Food Bank Network. Donated food and other products on hand at April 30, 2009 totaled 702,202 pounds and the average wholesale value was \$1.58 per pound. The average wholesale value per pound increased from \$1.49 in the prior year to \$1.58 in the current year, which was a \$0.09 or 6.0% increase in the value per pound.

The Organization values its donated food inventory and cost of donated food distributed using the price per pound provided by America's Second Harvest - The Nation's Food Bank Network 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, 2008. The Product Valuation Survey is updated annually by America's Second Harvest - The Nation's Food Bank Network.

Purchased food inventory consists of food purchased by the Idaho Foodbank Warehouse, Inc. and is valued at actual cost. At April 30, 2009, purchased food totaled 84,937 lbs. with a value of \$70,006.

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.

NOTES TO FINANCIAL STATEMENTS

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.

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.

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.

In July 2006, Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN No. 48) was issued. Subsequent to its original issuance, the effective date of its implementation for nonpublic enterprises has been deferred, and is currently deferred for nonpublic entities until years beginning after December 15, 2008. The Partnership has elected to defer implementation of FIN No. 48, as allowable.

The Organization undergoes an annual analysis of its various tax positions, assessing the likelihood of those positions being upheld upon examination with relevant tax authorities, as defined by FIN No. 48.

Fair Value Measurements

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

Statement No. 157 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. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 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.

NOTES TO FINANCIAL STATEMENTS

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 | \$ 1,114,364 |
| Time restrictions | 67,775 |
| Restricted programs | <u>39,630</u> |
| Total temporarily restricted net assets | <u><u>\$ 1,221,769</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. Employer matching for the year ended April 30, 2009 was \$22,819.

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, 2009, the Organization's cash balance exceeded FDIC insurance coverage.

NOTE 5 – PLEDGES RECEIVABLE

For the fiscal year ended April 30, 2009, Idaho Foodbank Warehouse, Inc recorded \$67,775 of gift revenue in the form of pledges receivable. The estimated collection of these gifts is as follows:

| | |
|--------------------|-------------------------|
| One year or less | \$ 23,450 |
| 2011 | 16,300 |
| 2012 | 14,225 |
| 2013 | 13,800 |
| 2014 | - |
| Pledges receivable | <u><u>\$ 67,775</u></u> |

As of April 30, 2009, \$44,650 of the outstanding pledges receivable balance was due from board members.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT

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

Note payable to Citizens Community Bank with monthly payments of principle and interest of \$2,900, with a balloon payment of the remaining principal and interest due on January 15, 2018. The interest rate is fixed for the first five years at 7.04%. On the anniversary date every five years, the rate is reset to the Five Year Treasury Note rate plus 3.75%. The note is unsecured.

\$ 157,310

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

218,113

Less current portion

24,514

\$ 193,599

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

Year ended April 30,

2010

\$ 24,514

2011

26,296

2012

28,208

2013

30,260

2014

32,460

Thereafter

76,375

\$ 218,113

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – LEASE COMMITMENT

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, 2009 are as follows:

| | |
|----------------------|------------------|
| Year ended April 30, | |
| 2010 | \$ 20,100 |
| 2011 | 20,100 |
| 2012 | <u>13,400</u> |
| | <u>\$ 53,600</u> |

NOTE 8 – FAIR VALUE OF ASSETS AND LIABILITIES

Assets and liabilities measured at fair value on a recurring basis at April 30, 2009, are as follows:

| | |
|--------------------|-------------------|
| Investments | \$ 470,520 |
| Pledges receivable | <u>67,775</u> |
| Total assets | <u>\$ 538,295</u> |

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, 2009 | | | |
| Investments | \$ 470,520 | \$ - | \$ - |
| Pledges receivable | <u>-</u> | <u>-</u> | <u>67,775</u> |
| Total assets | <u>\$ 470,520</u> | <u>\$ -</u> | <u>\$ 67,775</u> |

The fair value for investments is determined by reference to quoted market prices. For pledges receivable, fair value is estimated at the present value of expected future cash flows.

NOTES TO FINANCIAL STATEMENTS

Following is a reconciliation of activity for 2009 for assets measured at fair value based upon significant unobservable (non-market) information.

| | <u>Pledges Receivable</u> |
|----------------------------|-------------------------------|
| Balance, beginning of year | \$ 118,025 |
| New pledges | 391,104 |
| Received pledge payments | <u>(441,354)</u> |
| Balance, end of year | <u><u>\$ 67,775</u></u> |