



Financial Statements
April 30, 2012

Idaho Foodbank Warehouse, Inc.

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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, 2012, 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 express no 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, 2012, 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
September 12, 2012

Idaho Foodbank Warehouse, Inc.
Balance Sheet
April 30, 2012

Assets

Current Assets

Cash and cash equivalents	\$ 1,781,612
Investments	1,119,730
Accounts receivable	150,670
Pledges receivable	27,494
Food inventory	1,513,269
Prepaid expenses	23,510
Total current assets	<u>4,616,285</u>

Property and Equipment

Land and land improvements	290,784
Buildings and leasehold improvements	2,761,931
Furniture, fixtures and equipment	429,388
Vehicles	765,227
	<u>4,247,330</u>

Accumulated depreciation	<u>(1,269,322)</u>
	<u>2,978,008</u>

Accounts receivable - long-term	21,250
Pledges receivable - long-term	5,000
Total long-term assets	<u>26,250</u>
	<u><u>\$ 7,620,543</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 42,181
Current portion of capital leases	4,012
Accrued expenses and compensated absences	113,589
Deferred revenue	17,500
Total current liabilities	<u>177,282</u>

Long-Term Liabilities

Long-term debt	60,803
Capital leases - long-term portion	9,548
	<u>70,351</u>
Total liabilities	<u>247,633</u>

Net Assets

Unrestricted	
Board designated endowment fund	346,771
Undesignated	4,989,744
Temporarily restricted	2,036,395
Total net assets	<u>7,372,910</u>
	<u><u>\$ 7,620,543</u></u>

Idaho Foodbank Warehouse, Inc.
Statement of Activities
Year Ended April 30, 2012

Monetary Transactions	Unrestricted	Temporarily Restricted			Total
		Contributed Food	Other	Total	
Revenues and Support					
United Way	\$ 155,618	\$ -	\$ -	\$ -	\$ 155,618
Contributions	2,808,734	-	1,029,119	1,029,119	3,837,853
Federal/State campaigns	193,775	-	-	-	193,775
Program services	47,857	-	-	-	47,857
Special events	962,552	-	-	-	962,552
Investment earnings	25,109	-	-	-	25,109
Investment realized and unrealized gains	(31,294)	-	-	-	(31,294)
Other sources	185,808	-	-	-	185,808
Total revenues and support	4,348,159	-	1,029,119	1,029,119	5,377,278
Net Assets Released from Restriction					
Program restriction	877,561	-	(877,561)	(877,561)	-
	877,561	-	(877,561)	(877,561)	-
Total Monetary Revenues, Support and Release of Restrictions	5,225,720	-	151,558	151,558	5,377,278
Expenses					
Administration	574,189	-	-	-	574,189
Fundraising	913,159	-	-	-	913,159
Program	3,222,632	-	-	-	3,222,632
Total expenditures	4,709,980	-	-	-	4,709,980
Change in Monetary Net Assets	515,740	-	151,558	151,558	667,298
In-Kind Transactions					
Revenues and Support					
Contributions - In-kind	126,863	-	-	-	126,863
Food contributions	-	17,247,491	-	17,247,491	17,247,491
Total revenues and support	126,863	17,247,491	-	17,247,491	17,374,354
Net Assets Released from Restriction					
Food distributions	16,985,891	(16,985,891)	-	(16,985,891)	-
Total In-Kind Revenues, Support and Release of Restrictions	17,112,754	261,600	-	261,600	17,374,354
Expenses					
Administration	33,225	-	-	-	33,225
Fundraising	10,420	-	-	-	10,420
Program	17,115,954	-	-	-	17,115,954
Total expenditures	17,159,599	-	-	-	17,159,599
Change in In-kind Net Assets	(46,845)	261,600	-	261,600	214,755
Total Change in Net Assets	468,895	261,600	151,558	413,158	882,053
Net Assets, Beginning of Year	4,867,620	1,167,617	455,620	1,623,237	6,490,857
Net Assets, End of Year	\$ 5,336,515	\$ 1,429,217	\$ 607,178	\$ 2,036,395	\$ 7,372,910

See Notes to Financial Statements

Idaho Foodbank Warehouse, Inc.
Statement of Functional Expenses
Year Ended April 30, 2012

	<u>Administration</u>	<u>Fundraising</u>	<u>Program</u>	<u>Total All Funds</u>
Food purchased and distributed	\$ -	\$ -	\$ 18,010,758	\$ 18,010,758
Salary and fringe benefits	455,125	458,518	1,262,310	2,175,953
Occupancy	3,384	9,883	151,419	164,686
Office supplies	19,977	13,730	127,481	161,188
Depreciation	491	2,708	228,128	231,327
Other operating expenses	65,109	28,289	465,437	558,835
Management and general	63,328	16,579	-	79,907
Direct mail costs	-	393,872	-	393,872
Grant and contract expenses	-	-	93,053	93,053
	<u>-</u>	<u>-</u>	<u>93,053</u>	<u>93,053</u>
Total Expenses	<u>\$ 607,414</u>	<u>\$ 923,579</u>	<u>\$ 20,338,586</u>	<u>\$ 21,869,579</u>

Idaho Foodbank Warehouse, Inc.
Statement of Cash Flows
Year Ended April 30, 2012

Operating Activities	
Change in net assets	\$ 882,053
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	231,327
Net unrealized loss on investments	2,088
Gain on disposal of assets	(364)
Loss on sale of investments	29,206
Noncash contributions	(2,741)
Change in assets and liabilities	
Accounts receivable	(119,094)
Pledges receivable	(24,819)
Food inventory	(257,311)
Prepaid expenses	10,198
Accounts payable	(40,821)
Accrued expenses	(61,605)
Deferred revenue	17,500
Net Cash from Operating Activities	<u>665,617</u>
Investing Activities	
Purchase of fixed assets	(7,465)
Proceeds from sale of fixed assets	1,168
Sale of investments	194,822
Purchase of investments	<u>(208,966)</u>
Net Cash used for Investing Activities	<u>(20,441)</u>
Financing Activities	
Principal payments on long-term debt	<u>(3,816)</u>
Net Cash used for Financing Activities	<u>(3,816)</u>
Net Change in Cash and Cash Equivalents	641,360
Cash and Cash Equivalents, Beginning of Year	<u>1,140,252</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,781,612</u></u>
Supplemental Cash Flows Disclosure	
Interest paid	\$ 712
Noncash investing and financing activities	
Donation of investments	\$ 2,741

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 net 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 of Directors 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. had no permanently restricted net assets at April 30, 2012.

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 acquired with a value over \$750 are capitalized and stated at cost or fair market value at time of purchase or 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. Purchased 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, 2012, all are 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 value per pound as determined by Feeding America. Donated food and other products on hand at April 30, 2012 totaled 860,974 pounds and the average wholesale value was \$1.66 per pound.

The Organization values its donated food inventory and cost of donated food received and 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, 2011. 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, 2012, purchased food totaled 155,469 pounds with a value of \$84,052.

Contributed Support

Idaho Foodbank Warehouse, Inc. recognizes all contributed support received as income in the period pledged or 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, 2012 was \$50,917, \$61,721, and \$14,225, 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, 2012 was \$16,970.

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 adopted the provisions of FASB ASC Topic 740. As of April 30, 2012 and 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 2008 and state examinations for years before 2008.

Concentrations of Credit Risk

Idaho Foodbank Warehouse, Inc. maintains cash balances at more than one financial institution. Accounts at each institution are fully insured by the Federal Deposit Insurance Corporation.

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*, 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 September 12, 2012, 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	\$ 1,429,217
Restricted programs	<u>607,178</u>
Total temporarily restricted net assets	<u><u>\$ 2,036,395</u></u>

Note 3 - Defined Contribution Plan

Idaho Foodbank Warehouse, Inc. sponsors a 401(k) 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 and before the matching contribution is available. Eligible employees include part-time employees as well as full-time employees once a minimum hour requirement of 1,000 hours is met and the employee has worked for the Organization for one full year. Under the 401(k) plan, the employer will match employee contributions 100% up to 4.5% of the employee's gross salary. The total employer matching for the year ended April 30, 2012 was \$46,850.

Note 4 - Pledges Receivable

For the fiscal year ended April 30, 2012, Idaho Foodbank Warehouse, Inc. recorded \$32,494 of gift revenue in the form of pledges receivable. The estimated collection of these gifts is as follows:

One year or less	\$ 27,494
2013	<u>5,000</u>
Pledges receivable	<u><u>\$ 32,494</u></u>

As of April 30, 2012, \$1,000 of the outstanding pledges receivable balance was due from board members.

Note 5 - 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

As of April 30, 2012, the Organization has no intention to sell the building within the next five years.

Note 6 - 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, 2012, the minimum lease payments due under these capital leases are as follows:

Year ended April 30,

2013	\$ 4,597
2014	4,597
2015	3,699
2016	<u>1,818</u>

Total minimum lease payments	14,711
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Less amount representing interest	<u>(1,151)</u>
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Present value of minimum lease payments	13,560
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Less current portion	<u>(4,012)</u>
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Long-term portion	<u>\$ 9,548</u>
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The capitalized cost of the assets under the capital leases is \$20,666 with accumulated depreciation of \$7,834 as of April 30, 2012.

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

The operating lease for building and warehouse space ended on December 31, 2011. Since that time the Organization has been subject to a month to month rental agreement for which monthly payments of \$1,675 becomes due and payable on the first day of each month.

Note 7 - Fair Value of Assets and Liabilities

Assets and liabilities measured at fair value on a recurring basis at April 30, 2012, are as follows:

Investments, at fair value	\$ 1,119,730
Total assets	<u>\$ 1,119,730</u>

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

April 30, 2012	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments, at fair value			
Bonds	\$ 337,591	\$ -	\$ -
Mutual funds			
Commodity funds	40,224	-	-
Emerging markets	73,328	-	-
Large cap stock funds	59,305	-	-
Mid cap funds	98,551	-	-
Small cap funds	58,557	-	-
International funds	178,124	-	-
Growth stock funds	98,697	-	-
Equity income funds	116,810	-	-
Real estate funds	58,543	-	-
Total assets	<u>\$ 1,119,730</u>	<u>\$ -</u>	<u>\$ -</u>

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

Note 8 - 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, 2012 is as follows:

	<u>Unrestricted</u>
Board designated endowment funds	\$ 346,771
	<u>\$ 346,771</u>

Changes in endowment net assets for the year ended April 30, 2012 are as follows:

	<u>Unrestricted</u>
Endowment net assets, beginning of the year	\$ 348,753
Investment return	
Investment income	16,610
Net realized and unrealized appreciation	<u>(18,592)</u>
Endowment net assets, end of the year	<u>\$ 346,771</u>

As of April 30, 2012, 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, 2012.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies 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.