



Financial Statements
April 30, 2014

Idaho Foodbank Warehouse, Inc.

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Idaho Foodbank Warehouse, Inc. (the Organization), an Idaho nonprofit organization, which comprise the statement of financial position as of April 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance 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 08, 2014

www.eidebailly.com

Idaho Foodbank Warehouse, Inc.
Statement of Financial Position
April 30, 2014

Assets	
Current Assets	
Cash and cash equivalents	\$ 3,979,718
Investments	1,471,344
Accounts receivable	53,551
Promises to give	15,720
Food inventory	1,310,624
Prepaid expenses and other assets	39,066
Total current assets	6,870,023
Property and Equipment	
Land and land improvements	290,784
Buildings and leasehold improvements	2,770,063
Furniture, fixtures and equipment	473,050
Vehicles	930,069
	4,463,966
Accumulated depreciation	(1,701,227)
	2,762,739
Promises to give - long-term	50,000
	\$ 9,682,762
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 121,400
Current portion of capital leases	3,528
Accrued expenses and compensated absences	143,650
Total current liabilities	268,578
Long-Term Liabilities	
Long-term debt	60,803
Capital leases - long-term portion	1,776
	62,579
Total liabilities	331,157
Net Assets	
Unrestricted	
Board designated endowment fund	426,200
Undesignated	7,006,846
Temporarily restricted	1,918,559
Total net assets	9,351,605
	\$ 9,682,762

Idaho Foodbank Warehouse, Inc.
Statement of Activities
Year Ended April 30, 2014

<u>Monetary Transactions</u>	Unrestricted	Temporarily Restricted			Total
		Contributed Food	Other	Total	
Revenues and Support					
United Way	\$ 65,688	\$ -	\$ 12,578	\$ 12,578	\$ 78,266
Contributions	3,175,428	-	1,122,897	1,122,897	4,298,325
Federal/State campaigns	-	-	261,887	261,887	261,887
Program services	182,961	-	-	-	182,961
Special events	553,551	-	152,720	152,720	706,271
Investment earnings	28,879	-	9	9	28,888
Investment realized and unrealized gains	99,723	-	-	-	99,723
Other sources	9,523	-	-	-	9,523
Total revenues and support	<u>4,115,753</u>	<u>-</u>	<u>1,550,091</u>	<u>1,550,091</u>	<u>5,665,844</u>
Net Assets Released from Restriction					
Program restriction	1,806,769	-	(1,806,769)	(1,806,769)	-
Total Monetary Revenues, Support and Release of Restrictions	<u>5,922,522</u>	<u>-</u>	<u>(256,678)</u>	<u>(256,678)</u>	<u>5,665,844</u>
Expenses					
Administration	494,163	-	-	-	494,163
Fundraising	951,486	-	-	-	951,486
Program	3,481,983	-	-	-	3,481,983
Total expenditures	<u>4,927,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,927,632</u>
Change in Monetary Net Assets	<u>994,890</u>	<u>-</u>	<u>(256,678)</u>	<u>(256,678)</u>	<u>738,212</u>
<u>In-Kind Transactions</u>					
Revenues and Support					
Contributions - In-kind	179,384	-	-	-	179,384
Food contributions	-	23,707,118	-	23,707,118	23,707,118
Total revenues and support	179,384	23,707,118	-	23,707,118	23,886,502
Net Assets Released from Restriction					
Food distributions	23,962,748	(23,962,748)	-	(23,962,748)	-
Total In-Kind Revenues, Support and Release of Restrictions	<u>24,142,132</u>	<u>(255,630)</u>	<u>-</u>	<u>(255,630)</u>	<u>23,886,502</u>
Expenses					
Administration	14,664	-	-	-	14,664
Fundraising	100,395	-	-	-	100,395
Program	24,015,331	-	-	-	24,015,331
Total expenditures	<u>24,130,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,130,390</u>
Change in In-kind Net Assets	<u>11,742</u>	<u>(255,630)</u>	<u>-</u>	<u>(255,630)</u>	<u>(243,888)</u>
Total Change in Net Assets	1,006,632	(255,630)	(256,678)	(512,308)	494,324
Net Assets, Beginning of Year	<u>6,426,414</u>	<u>1,428,510</u>	<u>1,002,357</u>	<u>2,430,867</u>	<u>8,857,281</u>
Net Assets, End of Year	<u>\$ 7,433,046</u>	<u>\$ 1,172,880</u>	<u>\$ 745,679</u>	<u>\$ 1,918,559</u>	<u>\$ 9,351,605</u>

See Notes to Financial Statements

Idaho Foodbank Warehouse, Inc.
Statement of Functional Expenses
Year Ended April 30, 2014

	<u>Administration</u>	<u>Fundraising</u>	<u>Program</u>	<u>Total All Funds</u>
Food purchased and distributed	\$ -	\$ -	\$ 24,919,377	\$ 24,919,377
Salary and fringe benefits	401,605	410,345	1,507,262	2,319,212
Professional fees	49,714	60,691	147,692	258,097
Direct mail costs	-	377,857	-	377,857
Supplies	10,061	122,429	118,700	251,190
Depreciation	1,733	2,622	214,536	218,891
Vehicle and equipment maintenance	2,010	788	229,475	232,273
Occupancy	2,016	3,915	129,309	135,240
Other operating expenses	29,368	67,954	90,554	187,876
Grant and contract expenses	-	-	94,160	94,160
Travel and training	12,320	5,280	46,249	63,849
Total expenses	<u>\$ 508,827</u>	<u>\$ 1,051,881</u>	<u>\$ 27,497,314</u>	<u>\$ 29,058,022</u>

Idaho Foodbank Warehouse, Inc.
Statement of Cash Flows
Year Ended April 30, 2014

Operating Activities	
Change in net assets	\$ 494,324
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	218,891
Contributed property and equipment	(20,000)
Loss on disposal of equipment	4,798
Realized and unrealized gain on investments	(99,723)
Noncash contributions	(7,877)
Change in assets and liabilities	
Accounts receivable	(43,537)
Pledges receivable	200,959
Food inventory	322,218
Prepaid expenses and other assets	9,747
Accounts payable	74,540
Accrued expenses	2,389
	<hr/>
Net Cash from Operating Activities	1,156,729
	<hr/>
Investing Activities	
Purchase of property and equipment	(149,254)
Sale of investments	251,634
Purchase of investments	(401,176)
	<hr/>
Net Cash used for Investing Activities	(298,796)
	<hr/>
Financing Activity	
Principal payments on long-term debt	(4,244)
	<hr/>
Net Change in Cash and Cash Equivalents	853,689
Cash and Cash Equivalents, Beginning of Year	3,126,029
	<hr/>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,979,718</u></u>

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, 2014.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

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. Investment purchases are recorded at cost, or if donated, at fair value at the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

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.

Promises to give expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At April 30, 2014, all are deemed collectible and there is no allowance for uncollectable 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, 2014 totaled 681,907 pounds and the average wholesale value was \$1.72 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, 2013. 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, 2014, purchased food totaled 253,430 pounds with a value of \$137,744.

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 facilities as of April 30, 2014 was \$37,439, \$138,906, and \$3,040, 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 year ended April 30, 2014 was \$13,503.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 ASC Topic 740. As of April 30, 2014, 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 2010 and state examinations for years before 2010.

Concentrations of Credit Risk

Idaho Foodbank Warehouse, Inc. manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs related to the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

Subsequent Events

The Organization has evaluated subsequent events through August 08, 2014, 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	\$ 1,172,880
Restricted programs	679,959
Time restrictions	<u>65,720</u>
 Total temporarily restricted net assets	 <u><u>\$ 1,918,559</u></u>

During the year ended April 30, 2014, net assets released from the expiration of time restrictions, the satisfaction of purpose restrictions, and food distributions were \$150,155, \$1,656,614, and \$23,962,748 respectively.

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, 2014 was \$34,478.

Note 4 - Promises to Give

For the fiscal year ended April 30, 2014, Idaho Foodbank Warehouse, Inc. recorded \$65,720 of gift revenue in the form of promises to give. The estimated collection of these gifts is as follows:

One year or less	\$ 15,720
2015	50,000
Promises to give	\$ 65,720

As of April 30, 2014, no outstanding promises to give were 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, 2014, 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 \$1,450. At April 30, 2014, the minimum lease payments due under these capital leases are as follows:

Capital leases	
Year ended April 30,	
2015	\$ 3,699
2016	<u>1,817</u>
Total minimum lease payments	5,516
Less amount representing interest	<u>(212)</u>
Present value of minimum lease payments	5,304
Less current portion	<u>(3,528)</u>
Long-term portion	<u><u>\$ 1,776</u></u>

The capitalized cost of the assets under the capital leases is \$20,666 with accumulated depreciation of \$16,100 as of April 30, 2014.

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 become due and payable on the first day of each month. The monthly rate increased to \$2,275 on May 1, 2014.

Note 7 - Fair Value of Assets and Liabilities

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

April 30, 2014	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments, at fair value			
Taxable fixed income bonds	\$ -	\$ 450,863	\$ -
Mutual funds			
Commodity funds	34,604	-	-
Emerging markets	62,213	-	-
Large cap stock funds	96,063	-	-
Mid cap funds	133,499	-	-
Small cap funds	71,199	-	-
International funds	257,246	-	-
Growth stock funds	147,854	-	-
Equity income funds	151,938	-	-
Real estate funds	65,865	-	-
Total assets	<u>\$ 1,020,481</u>	<u>\$ 450,863</u>	<u>\$ -</u>

Note 8 - Endowment

The Idaho Foodbank Warehouse, Inc.'s endowment consists of one fund established for board designated purposes. The 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.

The management of the Idaho Foodbank Warehouse, Inc. 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, 2014 is as follows:

	Unrestricted
Board designated endowment funds	\$ 426,200
	\$ 426,200

Changes in endowment net assets for the year ended April 30, 2014 are as follows:

	Unrestricted
Endowment net assets, beginning of the year	\$ 391,575
Investment return	
Investment income	7,475
Net realized and unrealized appreciation	27,150
Endowment net assets, end of the year	\$ 426,200

As of April 30, 2014, there were no temporarily restricted or permanently restricted balances or transactions related to the endowment.

Funds with Deficiencies

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, 2014.

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.