

**CONNECTICUT FOOD BANK, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

# CONNECTICUT FOOD BANK, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Connecticut Food Bank, Inc.

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Connecticut Food Bank, Inc. (a nonprofit organization), which comprise the statements of financial position as June 30, 2014 and 2013, and the related statements of activities, change in net assets, functional expenses, and cash flows for the years 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.

### *Auditors' Responsibility*

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity'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 Connecticut Food Bank, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marcum LLP*

New Haven, CT  
December 3, 2014

# CONNECTICUT FOOD BANK, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,816,751	\$ 1,659,847
Short-term investments	120,163	82,582
Accounts receivable, less allowance for doubtful accounts of \$31,586 in 2014 and \$28,486 in 2013	103,770	87,687
Grants receivable	5,945	--
Pledges receivable - current	414,333	20,000
Prepaid expenses and other	62,802	147,396
Inventory	1,019,034	1,743,350
<b>Total Current Assets</b>	<u>3,542,798</u>	<u>3,740,862</u>
<b>Assets Whose Use is Limited</b>		
Internally designated by the Board:		
Cash and cash equivalents	2,173,498	2,585,614
Short-term investments	3,655,294	5,145,622
Investments, at fair value	2,561,208	2,148,764
<b>Total Assets Whose Use is Limited</b>	<u>8,390,000</u>	<u>9,880,000</u>
<b>Land, Building and Equipment - net</b>	<u>4,031,583</u>	<u>1,603,156</u>
<b>Pledges receivable - long term</b>	<u>821,177</u>	<u>78,021</u>
	<u>\$ 16,785,558</u>	<u>\$ 15,302,039</u>

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2014 AND 2013

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	2014	2013
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 723,257	\$ 605,550
Accrued vacation	191,488	159,888
Deferred grant revenue	<u>691,772</u>	<u>68,026</u>
<b>Total Current Liabilities</b>	<u>1,606,517</u>	<u>833,464</u>
<b>Net Assets</b>		
Unrestricted		
Designated by the Governing Board	8,390,000	9,880,000
Undesignated	<u>5,145,715</u>	<u>3,489,090</u>
Total unrestricted	13,535,715	13,369,090
Temporarily restricted	<u>1,643,326</u>	<u>1,099,485</u>
<b>Total Net Assets</b>	<u>15,179,041</u>	<u>14,468,575</u>
	<u>\$ 16,785,558</u>	<u>\$ 15,302,039</u>

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

# CONNECTICUT FOOD BANK, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
<b>Revenue and Other Support</b>		
Contributions and fundraising	\$ 6,961,697	\$ 7,410,265
Donated food (Note 5)	29,249,434	27,363,186
Governmental grants	950,880	932,490
Shared maintenance and transportation	537,226	553,277
Buying Club Revenue	785,927	748,477
Storage and handling charges	14,199	14,855
Membership fees	8,725	9,188
Net assets released from restrictions	<u>1,004,202</u>	<u>961,454</u>
	<u>39,512,290</u>	<u>37,993,192</u>
<b>Expenses</b>		
Program services:		
Food distribution	37,630,389	34,000,605
Public education and awareness	649,306	640,021
Supporting services:		
General and administrative	897,467	858,389
Fundraising	<u>1,320,793</u>	<u>1,199,110</u>
	<u>40,497,955</u>	<u>36,698,125</u>
<b>(Loss) Income From Operating Activities</b>	<u>(985,665)</u>	<u>1,295,067</u>
<b>Nonoperating Activities</b>		
Return on investments	337,162	196,911
Interest income	<u>6,970</u>	<u>9,072</u>
	<u>344,132</u>	<u>205,983</u>
<b>(Deficiency) Excess of Revenue and Other Support, and Nonoperating Activities, Over Expenses</b>	<u>\$ (641,533)</u>	<u>\$ 1,501,050</u>

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

CONNECTICUT FOOD BANK, INC.

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Unrestricted Net Assets</b>		
(Deficiency) excess of revenue and other support over expenses	\$ (641,533)	\$ 1,501,050
Other changes in unrestricted net assets:		
Grants received for the purchase of property and equipment	<u>808,158</u>	<u>144,716</u>
<b>Change in Unrestricted Net Assets</b>	<u>166,625</u>	<u>1,645,766</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions and program revenue	2,356,201	1,140,238
Net assets released from restrictions	<u>(1,812,360)</u>	<u>(1,106,170)</u>
<b>Change in Temporarily Restricted Net Assets</b>	<u>543,841</u>	<u>34,068</u>
<b>Change in Net Assets</b>	710,466	1,679,834
<b>Net Assets - Beginning</b>	<u>14,468,575</u>	<u>12,788,741</u>
<b>Net Assets - Ending</b>	<u>\$ 15,179,041</u>	<u>\$ 14,468,575</u>

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



# CONNECTICUT FOOD BANK, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

### FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Year ended June 30, 2014				Year ended June 30, 2013				
	Program Services		Supporting Services		Program Services		Supporting Services		
	Food Distribution	Public Education and Awareness	General and Administrative	Fundraising	Food Distribution	Public Education and Awareness	General and Administrative	Fundraising	
	Total	Total	Total	Total	Total	Total	Total	Total	
<b>Salaries and Related Expenses</b>									
Salaries	\$ 1,921,020	\$ 318,310	\$ 465,105	\$ 297,148	\$ 1,788,575	\$ 327,184	\$ 457,142	\$ 232,661	\$ 2,805,562
Employee benefits	305,889	52,575	71,693	47,795	288,683	58,639	72,171	31,575	451,068
Payroll taxes	164,769	28,320	38,618	25,745	155,373	34,527	39,460	17,264	246,624
<b>Total Salaries and Related Expenses</b>	<b>2,391,678</b>	<b>399,205</b>	<b>575,416</b>	<b>370,688</b>	<b>2,232,631</b>	<b>420,350</b>	<b>568,773</b>	<b>281,500</b>	<b>3,503,254</b>
<b>Food Distribution and Warehouse Expenses</b>									
Food distributed	30,047,210	--	--	--	26,995,488	--	--	--	26,995,488
Other food purchases	2,844,726	--	--	--	2,606,066	--	--	--	2,606,066
Freight	898,172	--	--	--	774,958	--	--	--	774,958
Maintenance and repairs	184,387	--	--	--	146,795	--	--	--	146,795
Utilities/occupancy	221,593	8,560	8,560	8,560	192,267	6,834	6,834	6,834	212,769
Truck maintenance and fuel	255,114	--	--	--	196,362	--	--	--	196,362
Storage and handling	147,317	--	--	--	100,618	--	--	--	100,618
<b>Total Food Distribution and Warehouse Expenses</b>	<b>34,598,519</b>	<b>8,560</b>	<b>8,560</b>	<b>8,560</b>	<b>31,012,554</b>	<b>6,834</b>	<b>6,834</b>	<b>6,834</b>	<b>31,033,056</b>
<b>Other Expenses</b>									
Fundraising activities and expenses	--	--	902,289	902,289	--	--	--	873,165	873,165
Professional fees	96,065	--	217,117	313,182	75,360	--	218,720	--	294,080
Depreciation and amortization	217,384	12,787	12,787	12,787	233,221	13,719	13,719	13,719	274,378
Disaster relief	--	--	--	--	160,129	--	--	--	160,129
Insurance	181,176	10,658	18,792	10,658	124,530	7,268	13,113	7,268	152,179
Office supplies and expenses	68,974	10,611	15,917	10,611	67,290	10,353	15,529	10,353	103,525
Public relations	--	131,476	--	--	--	96,995	--	--	96,995
Travel and meetings	--	61,297	--	--	--	67,112	--	--	67,112
Postage and printing	28,019	8,621	4,311	2,155	31,510	9,695	4,848	2,424	48,477
Telephone	26,437	3,525	3,525	1,762	34,083	4,545	4,545	2,272	45,445
Dues and subscriptions	19,242	2,566	2,566	1,283	23,625	3,150	3,150	1,575	31,500
Staff training	2,895	--	--	--	5,672	--	--	--	5,672
Other administrative	--	--	35,376	--	--	--	5,158	--	5,158
Provision for bad debts	--	--	3,100	--	--	--	4,000	--	4,000
<b>Total Other Expenses</b>	<b>640,192</b>	<b>241,541</b>	<b>313,491</b>	<b>941,545</b>	<b>755,420</b>	<b>212,837</b>	<b>282,782</b>	<b>910,776</b>	<b>2,161,815</b>
<b>Total</b>	<b>\$ 37,630,389</b>	<b>\$ 649,306</b>	<b>\$ 897,467</b>	<b>\$ 1,320,793</b>	<b>\$ 34,000,605</b>	<b>\$ 640,021</b>	<b>\$ 858,389</b>	<b>\$ 1,199,110</b>	<b>\$ 36,698,125</b>

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

# CONNECTICUT FOOD BANK, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 710,466	\$ 1,679,834
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	255,745	274,378
Net realized and unrealized gain on investments	(314,533)	(173,442)
Net change in donated food inventory	797,524	(367,711)
Changes in assets and liabilities:		
Accounts receivable	(16,083)	26,891
Grants receivable	(5,945)	--
Pledge receivable	(1,137,489)	(98,021)
Prepaid expenses and other	84,594	(133,805)
Other inventory	(73,208)	(135,719)
Accounts payable and accrued expenses	117,707	249,987
Accrued vacation	31,600	52,639
Deferred grant revenue	623,746	42,905
<b>Net Cash Provided by Operating Activities</b>	<u>1,074,124</u>	<u>1,417,936</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(338,935)	(325,937)
Purchase of land and construction in process	(2,345,237)	(35,677)
Proceeds from sale of short term investments	1,733,407	--
Purchases of short term investments	(280,660)	(32,521)
Proceeds from sale of investments	1,035,666	915,038
Purchases of investments	(1,133,577)	(609,360)
<b>Net Cash Used in Investing Activities</b>	<u>(1,329,336)</u>	<u>(88,457)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(255,212)	1,329,479
<b>Cash and Cash Equivalents - Beginning</b>	<u>4,245,461</u>	<u>2,915,982</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 3,990,249</u>	<u>\$ 4,245,461</u>
<b>As Presented in the Statements of Financial Position</b>		
Cash and cash equivalents	\$ 1,816,751	\$ 1,659,847
Assets Whose Use is Limited:		
Cash and cash equivalents	<u>2,173,498</u>	<u>2,585,614</u>
	<u>\$ 3,990,249</u>	<u>\$ 4,245,461</u>

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

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### *ORGANIZATION*

Connecticut Food Bank, Inc. (the Organization) was incorporated in Connecticut in 1982 as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization solicits, stores, and distributes donated and purchased food through a network of member agencies.

#### *SIGNIFICANT ACCOUNTING POLICIES*

##### *USE OF ESTIMATES*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include assessing the collectibility of accounts receivable, fair value of investments, and the estimated useful lives of long lived assets, among others. Actual results could differ from those estimates.

##### *BASIS OF PRESENTATION*

To ensure observance of limitations and restrictions that may be placed on the use of resources available, the accounts of the Organization are maintained in the following net asset categories:

*Unrestricted* - Unrestricted net assets represent available resources other than donor restricted contributions. Included in unrestricted net assets are grants and contracts that are earmarked for specific purposes.

*Temporarily Restricted* - Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, both restricted and unrestricted. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

#### *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents, including current unrestricted and restricted funds, include investments in highly liquid financial instruments with original maturities of three months or less when purchased. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor under the FDIC's general deposit insurance rules. The Organization maintains cash deposits in excess of \$250,000 which exceeds FDIC limits. Management believes that credit risk related to those deposits is minimal.

#### *SHORT TERM INVESTMENTS*

Short term investments include funds held in bank certificates of deposit, for which the cost approximates the fair value.

#### *INVESTMENTS*

Investments are measured at fair value in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Donated investments are recorded at fair value as of the date of receipt. Purchases and sales of securities are recorded on a trade date basis. Investment income is recorded on the accrual basis. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenue and other support over expenses unless the income or loss is restricted by donor or law.

#### *ASSETS WHOSE USE IS LIMITED*

Assets whose use is limited include assets set aside by the Board to fund the cost of a planned facility expansion, other future capital improvements, an operating reserve, and as a reserve for emergency food purchases, over which the Board retains control and may at its discretion subsequently use for other purposes.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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#### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	2014	2013
Warehouse/distribution facility	\$ 3,000,000	\$ 5,000,000
Capital improvements	30,000	196,000
Operating reserve	3,300,000	3,036,000
Reserve for emergency food purchases	<u>2,060,000</u>	<u>1,648,000</u>
	<u>\$ 8,390,000</u>	<u>\$ 9,880,000</u>

#### *RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS*

Accounts receivable, primarily handling fees billed to member agencies based upon the types of food distributed, are stated at the amount the Organization expects to collect. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on a review of the current status of existing receivables, historical collection experience, and other circumstances that may affect the ability of members and others to meet their obligations. Receivables are considered impaired if full payments are not expected to be received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

#### *CONTRIBUTIONS AND DONOR RESTRICTED GIFTS*

The Organization reports contributions of cash and other assets at fair value at the date the contribution. Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence or nature of any donor-imposed restrictions.

All donor restricted support is reported as an increase in temporarily restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When long-lived assets are placed in service, thus satisfying purpose restrictions, the amount is included as a change in net assets, both restricted and unrestricted. Donor restricted contributions whose restrictions are met in the same year are reflected as unrestricted contributions in the accompanying financial statements.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *REVENUE RECOGNITION*

Revenues from shared maintenance and transportation are recognized in the period earned.

#### *INVENTORY*

Food inventories purchased for resale are stated at the lower of cost, determined by the first-in, first-out method, or market.

The value of the donated inventory, donated food revenue and food distributed is based upon a study commissioned by Feeding America, a national food bank network, of the average wholesale value of products donated to the network (see Note 5).

#### *LAND, BUILDING AND EQUIPMENT*

Land, building and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in the statement of activities.

Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets, as follows:

Building and improvements	5-30 years
Leasehold improvements	5-10 years
Furniture and equipment	5-20 years
Vehicles	5-10 years

The Organization continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of its long-lived assets or whether the remaining balance of its long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that long-lived assets should be evaluated for possible impairment, the Organization will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest levels for which there are cash flows.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 1 - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *DONATED SERVICES*

The Organization has many dedicated volunteers who have donated numerous hours of service in fundraising and community related activities. Because those donated services do not meet the recognition criteria as being performed by individuals who regularly perform those services for compensation, such services have not been recognized as contributions and expense in the Organization's financial statements.

#### *FUNCTIONAL ALLOCATION OF EXPENSES*

The costs of providing various programs and other activities have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program and supporting services.

#### *INCOME TAXES*

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2011.

#### *SUBSEQUENT EVENTS*

The Organization has evaluated subsequent events through December 3, 2014, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of June 30, 2014, have been incorporated into these financial statements herein.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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#### NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Long-term investments, recorded in the balance sheet as assets whose use is limited, consist primarily of equities, corporate bonds, and other securities, and by policy, are not heavily concentrated in any individual security or financial institution.

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

	2014	2013
Cash and money market funds	\$ 122,930	\$ 109,567
Equities	1,094,577	915,391
Exchange traded / Closed end funds	663,514	657,528
Government securities	264,622	184,789
Mutual Funds	346,231	222,117
Corporate bonds	<u>69,334</u>	<u>59,372</u>
	<u>\$ 2,561,208</u>	<u>\$ 2,148,764</u>

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

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

	2014	2013
Interest and dividends	\$ 22,629	\$ 23,469
Realized gains	<u>154,640</u>	<u>91,673</u>
	177,269	115,142
Unrealized gains	<u>159,893</u>	<u>81,769</u>
	<u>\$ 337,162</u>	<u>\$ 196,911</u>



# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

#### *FAIR VALUE MEASUREMENTS*

The Organization has established a framework for measuring fair value, based on a fair value hierarchy contained in Accounting Standards Codification (ASC) 820 that is intended to increase consistency and comparability in fair value measurements and related disclosures. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology based on unadjusted quoted market prices in active markets that are accessible at the measurement date.
- Level 2 – Inputs to the valuation methodology that include quoted market prices that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization's policy is to recognize significant transfers between levels at the beginning of the reporting period. There were no transfers in 2014 and 2013.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013:

- The Organization values investments in equities, mutual funds, and exchange traded/closed end funds that are freely traded and listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the Organization's year.
- The fair values of government securities are based on quoted prices in active markets, and categorized in Level 1 of the fair value hierarchy.
- The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or other available data. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond swap spreads, and other available inputs.

**CONNECTICUT FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy the investments at fair value, as of June 30, 2014 and 2013:

	Investments at Fair Value as of June 30, 2014		
	Level 1	Level 2	Total
Investments:			
Cash and money market funds	\$ 122,930	\$ --	\$ 122,930
Corporate bonds	--	69,334	69,334
Equities	1,094,577	--	1,094,577
Government securities	264,622	--	264,622
Mutual Funds	346,231	--	346,231
Exchange Traded / Closed End Funds	663,514	--	663,514
	<u>2,491,874</u>	<u>69,334</u>	<u>2,561,208</u>
Short-term investments:			
Certificates of deposit	<u>3,775,457</u>	<u>--</u>	<u>3,775,457</u>
	<u>\$ 6,267,331</u>	<u>\$ 69,334</u>	<u>\$ 6,336,665</u>

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	Investments at Fair Value as of June 30, 2013		
	Level 1	Level 2	Total
Investments:			
Cash and money market funds	\$ 109,567	\$ --	\$ 109,567
Corporate bonds	--	59,372	59,372
Equities	915,391	--	915,391
Government securities	184,789	--	184,789
Mutual Funds	222,117	--	222,117
Exchange Traded / Closed End Funds	<u>657,528</u>	<u>--</u>	<u>657,528</u>
	2,089,392	59,372	2,148,764
Short-term investments:			
Certificates of deposit	<u>5,228,204</u>	<u>--</u>	<u>5,228,204</u>
	<u>\$ 7,317,596</u>	<u>\$ 59,372</u>	<u>\$ 7,376,968</u>

### NOTE 3 - ACCOUNTS RECEIVABLE

The Organization provides credit without collateral to its participating member agencies, in connection with its shared maintenance fees billed and the buying club program. The Organization performs an evaluation of all new applicants in order to verify eligibility in accordance with established criteria for membership.

### NOTE 4 - PLEDGES RECEIVABLE

In 2013, the Organization initiated a capital campaign to assist with the financing and construction of a new 85,000 square foot warehouse/distribution facility, which is expected to be completed in 2015. As of June 30, 2014, a total of \$1,415,500 has been pledged since the inception of the campaign.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 4 – PLEDGES RECEIVABLE (CONTINUED)

Pledges receivable consisted of the following as of June 30:

	2014	2013
Receivable in less than one year	\$ 414,333	\$ 20,000
Receivable in one to five years	<u>847,084</u>	<u>80,000</u>
	1,261,417	100,000
Less, discount to net present value	<u>(25,907)</u>	<u>(1,979)</u>
Net pledges receivable	1,235,510	98,021
Less current portion	<u>414,333</u>	<u>20,000</u>
Pledges receivable, less current portion	<u>\$ 821,177</u>	<u>\$ 78,021</u>

### NOTE 5 - INVENTORY, DONATED FOOD DISTRIBUTED

Inventory consists of the following at June 30:

	2014	2013
Donated food	\$ 421,706	\$ 504,305
Temporary Emergency Food Assistance Program (TEFAP) commodities	163,419	878,344
Purchased food	<u>433,909</u>	<u>360,701</u>
	<u>\$ 1,019,034</u>	<u>\$ 1,743,350</u>

Throughout the year, the Organization receives donated food from various entities and distributes this food to other not-for-profit agencies. The Organization charges its member agencies certain maintenance and handling fees. The accounting for food products and related fees charged is done on a per pound basis.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

#### NOTE 5 - INVENTORY, DONATED FOOD DISTRIBUTED (CONTINUED)

The fair values for the donated inventory, donated food revenue, and food distributed are determined based on a study commissioned by Feeding America, a national food bank network, of the average wholesale fair value of products donated to the network. Although the value of items for different organizations may vary, an average wholesale value per pound of \$1.72 and \$1.69 in 2014 and 2013, respectively, was used by the Organization, based on the results of Feeding America's study.

In addition, commodities received under the TEFAP program are valued using the average wholesale value per pound based upon the Feeding America study.

The Organization also distributes purchased food products through several programs, including the Buying Club, grant funding through the Federal Emergency Management Agency (FEMA), and other donor contributions. The Buying Club is a program designed to purchase food products not normally donated to the Organization. The participating member agencies may purchase these food products from the Organization to supplement the donated food products. Buying Club inventory purchases amounted to \$747,063 and \$608,593 for the years ended June 30, 2014 and 2013, respectively.

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

	2014		2013	
	Pounds	Average Wholesale Value	Pounds	Average Wholesale Value
Inventory, beginning of year	298,407	\$ 504,305	\$ 339,286	\$ 563,212
Donated food received	<u>12,263,576</u>	<u>21,093,351</u>	<u>10,479,007</u>	<u>17,709,522</u>
	<u>12,561,983</u>	<u>21,597,656</u>	<u>10,818,293</u>	<u>18,272,734</u>
Less:				
Food distributed	(11,534,367)	(19,839,111)	(9,662,582)	(16,329,764)
Food shrinkage and adjustments	<u>(783,018)</u>	<u>(1,336,839)</u>	<u>(857,304)</u>	<u>(1,438,665)</u>
	<u>(12,317,385)</u>	<u>(21,175,950)</u>	<u>(10,519,886)</u>	<u>(17,768,429)</u>
Inventory, ending of year	<u>244,598</u>	<u>\$ 421,706</u>	<u>298,407</u>	<u>\$ 504,305</u>

**CONNECTICUT FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

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**NOTE 5 - INVENTORY, DONATED FOOD DISTRIBUTED (CONTINUED)**

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

	2014		2013	
	Pounds	Average Wholesale Value	Pounds	Average Wholesale Value
Inventory, beginning of year	519,730	\$ 878,344	272,124	\$ 451,726
TEFAP commodities received	4,741,909	8,156,083	5,712,227	9,653,664
	5,261,639	9,034,427	5,984,351	10,105,390
Less:				
Food distributed	(5,158,509)	(8,872,635)	(5,457,649)	(9,223,427)
Food shrinkage and adjustments	(8,119)	1,627	(6,972)	(3,619)
	(5,166,628)	(8,871,008)	(5,464,621)	(9,227,046)
Inventory, ending of year	95,011	\$ 163,419	519,730	\$ 878,344

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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#### NOTE 6 - LAND, BUILDING AND EQUIPMENT AND DEPRECIATION

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

	2014	2013
Land	\$ 1,807,374	\$ 215,743
Building and improvements	2,768,822	2,768,822
Leasehold improvements	101,804	101,804
Construction in process	789,283	35,677
Furniture and equipment	925,851	1,062,358
Vehicles	<u>1,148,225</u>	<u>929,397</u>
	7,541,359	5,113,801
Less, accumulated depreciation and amortization	<u>3,509,776</u>	<u>3,510,645</u>
	<u>\$ 4,031,583</u>	<u>\$ 1,603,156</u>

In January 2014, the Organization purchased land in Wallingford, Connecticut for a total purchase price of \$1,591,631 for the purpose of constructing a new 85,000 square foot warehouse/distribution facility. The projected cost of the project is approximately \$11.3 million, and is expected to be financed through proceeds of a capital campaign in process, grant funding, bank financing (see note 9), assets previously set aside by the Board, and other internal resources. As of June 30, 2014, the Organization has incurred and capitalized costs totaling \$789,283 as construction in process related to the project. The anticipated completion date for the project is August 2015.

# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 7 - RESTRICTIONS ON NET ASSETS

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

	2014	2013
Contributions received to meet the food needs of local residents through the Organization, to assess and strengthen the network capacity to respond to disasters, and to prepare to meet longer term anti-hunger needs	\$ --	\$ 464,349
Subsequent year's programs:		
Mobile Pantry program	15,000	46,500
Kid's Backpack program	50,500	86,511
Grocery on Wheels program	136,364	248,104
Disaster relief	21,513	--
Other programs	11,079	55,000
Building fund	<u>1,408,870</u>	<u>199,021</u>
	<u>\$ 1,643,326</u>	<u>\$ 1,099,485</u>

### NOTE 8 - LEASE COMMITMENT

The Organization leases warehouse space for its Waterbury operations under the terms of an operating lease that expired September 30, 2014. Effective October 1, 2014, the Organization is leasing the space on a month-to-month basis under the same terms and conditions in the operating lease. Rent under the lease is due in minimum annual rentals as defined in the lease, plus proportionate charges for real estate taxes and other building operating costs.

Total rental expense charged to operations amounted to \$76,080 in each of the years ended June 30, 2014 and 2013.

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

2015	<u>\$ 19,020</u>
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# CONNECTICUT FOOD BANK, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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### NOTE 9 – SUBSEQUENT EVENTS

On August 27, 2014, the Organization entered into a \$7.5 million line of credit/term loan (Term Loan) and a \$1 million revolving line of credit (Line of Credit) with a bank. Proceeds from the Term Loan will be used to fund the construction of the new warehouse/distribution facility in Wallingford, Connecticut. The Term Loan has an optional feature which allows the organization to borrow up to \$10 million if anticipated cash flow from other sources is deferred. The maturity of the Term Loan will be 5 years, with payments interest only for the first 12 months, followed by monthly fixed payments of principal and interest based on a 20 year amortization. The interest rate on the Term Loan will be set at the one-month LIBOR plus 1.65%.

In addition, the Organization entered into an amortizing interest rate swap agreement (Swap Agreement) with a bank related to the Term Loan, also on August 27, 2014. The initial notional amount of the Swap Agreement is \$6 million, expiring August 27, 2019, whereby the Organization will pay a fixed rate of interest of 2.40%.

The Line of Credit agreement is due on demand, with interest only due on outstanding advances at the bank's LIBOR Advantage rate plus 1.65%.

**CONNECTICUT FOOD BANK, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 10 - GRANTS**

Revenue from grants is recognized ratably over the period of the grant or based on actual expenses incurred, with any unearned portion recorded as deferred grant revenue.

Grant Title	Amount of Grant	Period Covered	Revenue Recognized		Deferred Grant Revenue	
			2014	2013	2014	2013
State of Connecticut:						
Department of Social Services:						
State Supplemental Nutrition Assistance Program (SSNAP)	\$ 1,053,979	October 1, 2013 - September 30, 2014	\$ 387,952	\$ --	\$ 66,772	\$ --
	\$ 605,825	October 1, 2012 - September 30, 2013	221,779	384,046	--	68,026
	\$ 604,422	October 1, 2011 - September 30, 2012	--	211,879	--	--
The Emergency Food Assistance Program (TEFAP)	\$ 341,361	October 1, 2013 - September 30, 2014	255,829	--	--	--
	\$ 335,204	October 1, 2012 - September 30, 2013	85,320	249,884	--	--
	\$ 336,565	October 1, 2011 - September 30, 2012	--	86,681	--	--
Neighborhood Facilities (Bond Fund)						
Nonprofit Collaboration Incentive Grant Program	\$ 625,000	January 9, 2014 - March 31, 2016	--	--	625,000	--
Totals			\$ 950,880	\$ 932,490	\$ 691,772	\$ 68,026