

ATLANTA COMMUNITY FOOD BANK, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

**with
Independent Auditors' Report**

ATLANTA COMMUNITY FOOD BANK, INC.

TABLE OF CONTENTS

June 30, 2013

Independent Auditors' Report.....	1-2
Statements of Financial Position	3-4
Statement of Activities.....	5
Statement of Functional Expenses	6
Statements of Cash Flows.....	7-8
Notes to Financial Statements.....	9-21

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Atlanta Community Food Bank, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Atlanta Community Food Bank, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 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.

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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 Atlanta Community Food Bank, Inc. as of June 30, 2013, 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.

Report on Summarized Comparative Information

We have previously audited Atlanta Community Food Bank, Inc.'s 2012 financial statements, and our report dated October 24, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Warren Averett, LLC

WARREN AVERETT, LLC

October 23, 2013
Atlanta, Georgia

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	ASSETS	
	2013	2012
Current Assets		
Cash and cash equivalents	\$ 4,254,690	\$ 4,587,351
Receivables		
Share contributions and handling fees	143,965	141,349
Grants	1,899,325	1,113,637
Pledges	435,607	575,253
Other	27,475	37,304
Inventory – donated	5,088,692	4,760,570
Inventory – purchased	402,154	283,382
Prepaid expenses	186,434	153,290
TOTAL CURRENT ASSETS	12,438,342	11,652,136
Property and Equipment		
Land	1,285,000	1,285,000
Buildings and improvements	10,010,443	9,099,158
Furniture and equipment	3,357,369	3,206,107
Vehicles	1,382,544	1,359,476
Total property and equipment	16,035,356	14,949,741
Less accumulated depreciation	(5,617,848)	(5,250,834)
	10,417,508	9,698,907
Projects in progress	41,564	182,126
PROPERTY AND EQUIPMENT, NET	10,459,072	9,881,033
Other Assets		
Investments	10,727,371	9,618,538
Noncurrent pledge receivables	1,500,000	-
TOTAL OTHER ASSETS	12,227,371	9,618,538
TOTAL ASSETS	\$ 35,124,785	\$ 31,151,707

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION—Continued

June 30, 2013 and 2012

	2013	2012
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,407,059	\$ 769,163
Accrued liabilities	746,417	581,455
Deferred revenue	265,070	137,272
Current portion of capital lease obligation	-	9,736
	2,418,546	1,497,626
TOTAL CURRENT LIABILITIES	2,418,546	1,497,626
Noncurrent Liabilities		
Noncurrent accounts payable	6,600	-
	2,425,146	1,497,626
TOTAL NONCURRENT LIABILITIES	2,425,146	1,497,626
Net Assets		
Unrestricted		
Undesignated	22,957,574	22,660,337
Board designated	6,109,350	5,486,489
	29,066,924	28,146,826
Temporarily restricted	2,804,715	679,255
Permanently restricted	828,000	828,000
	32,699,639	29,654,081
TOTAL NET ASSETS	32,699,639	29,654,081
TOTAL LIABILITIES AND NET ASSETS	\$ 35,124,785	\$ 31,151,707

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

(with comparative totals for 2012)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenue					
Support					
Donated product	\$ 70,773,311	\$ -	\$ -	\$ 70,773,311	\$ 54,541,719
Federal grants	-	7,991,565	-	7,991,565	7,916,389
Contributions	5,519,115	3,295,190	-	8,814,305	6,488,325
In kind contributions	771,038	-	-	771,038	966,888
Special events (net of direct costs of \$459,808 and \$391,663, respectively)	2,585,962	-	-	2,585,962	2,351,003
Net assets released from restrictions	9,269,849	(9,269,849)	-	-	-
Total support	88,919,275	2,016,906	-	90,936,181	72,264,324
Revenue					
Share contributions and handling fees	2,859,000	-	-	2,859,000	2,734,602
Net investment income	919,898	108,554	-	1,028,452	79,149
Other income	442,094	-	-	442,094	238,973
Total revenue	4,220,992	108,554	-	4,329,546	3,052,724
TOTAL SUPPORT AND REVENUE	93,140,267	2,125,460	-	95,265,727	75,317,048
Expenses					
Program services					
Collection, storage and distribution of food	83,683,834	-	-	83,683,834	69,759,136
Kids in Need	3,048,133	-	-	3,048,133	1,153,349
Advocacy	1,121,030	-	-	1,121,030	1,095,049
Total program services	87,852,997	-	-	87,852,997	72,007,534
Supporting services					
Management and general	2,881,124	-	-	2,881,124	2,880,771
Fundraising	1,486,048	-	-	1,486,048	1,524,512
Total supporting services	4,367,172	-	-	4,367,172	4,405,283
TOTAL EXPENSES	92,220,169	-	-	92,220,169	76,412,817
CHANGE IN NET ASSETS	920,098	2,125,460	-	3,045,558	(1,095,769)
NET ASSETS AT BEGINNING OF YEAR	28,146,826	679,255	828,000	29,654,081	30,749,850
NET ASSETS AT END OF YEAR	\$ 29,066,924	\$ 2,804,715	\$ 828,000	\$ 32,699,639	\$ 29,654,081

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013

(with comparative totals for 2012)

	Program Services			Supporting Services			2013 Total Expenses	2012 Total Expenses
	Collection, Storage and Distribution of Food	Kids in Need	Advocacy	Total Program Services	Management and General	Fundraising		
Donated product distributed	\$ 67,557,828	\$ 2,768,588	\$ -	\$ 70,326,416	\$ -	\$ -	\$ 70,326,416	\$ 57,031,574
Salaries, contract labor & payroll taxes	3,895,092	169,743	665,094	4,729,929	1,509,334	447,264	6,686,527	6,038,751
Product purchases	4,824,403	1,644	-	4,826,047	-	-	4,826,047	3,998,633
Contributions/agency subsidy	4,277,708	-	111,099	4,388,807	1,583	16,922	4,407,312	3,884,767
Employee benefits	540,715	21,691	66,278	628,684	218,837	70,670	918,191	781,290
Depreciation	620,953	8,464	29,386	658,803	172,395	1,018	832,216	778,121
Postage & printing	77,473	3,195	83,843	164,511	49,309	526,143	739,963	681,088
Occupancy	660,932	35,248	17,189	713,369	165,064	4,283	882,716	608,557
Professional services	46,194	6,224	48,328	100,746	224,659	52,181	377,586	528,153
Project expenses	79,361	4,774	7,036	91,171	87,180	217,696	396,047	423,162
Product shipping & transportation	438,955	5,010	-	443,965	1,279	-	445,244	408,490
Supplies	175,760	4,240	41,317	221,317	56,645	86,976	364,938	324,868
Equipment maintenance & leasing	139,404	10,956	2,354	152,714	70,638	448	223,800	188,178
Miscellaneous	12,003	26	40	12,069	155,961	49,589	217,619	147,094
Promotional/event expenses	57,792	-	7,376	65,168	1,942	4,611	71,721	131,631
Insurance	72,483	3,112	1,439	77,034	55,561	1,972	134,567	131,203
Professional dues & memberships	67,670	500	310	68,480	9,290	100	77,870	89,571
Conference/education/training	26,124	224	4,306	30,654	41,029	712	72,395	87,962
Communications	46,289	1,138	14,002	61,429	37,680	1,672	100,781	81,760
Travel	48,350	1,459	20,841	70,650	14,032	3,530	88,212	47,559
Other employee expenses	18,345	1,897	792	21,034	8,706	261	30,001	20,405
Total expenses	\$ 83,683,834	\$ 3,048,133	\$ 1,121,030	\$ 87,852,997	\$ 2,881,124	\$ 1,486,048	\$ 92,220,169	\$ 76,412,817

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 3,045,558	\$ (1,095,769)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	832,216	778,121
Contribution of marketable securities	(80,337)	(64,076)
Loss on sale of equipment	47,793	3,946
Gain on sale of investments	(479,071)	(952,600)
Unrealized (gain) loss on investments	(366,442)	1,051,074
(Increase) decrease in inventory – donated	(328,122)	2,861,490
Change in assets and liabilities:		
Increase in receivables	(2,138,829)	(322,700)
Decrease (increase) in inventory – purchased	(118,772)	(547,902)
Increase in prepaid expenses	(33,144)	(38,701)
Increase in accounts payable and accrued liabilities	809,458	452,370
Increase in deferred revenue	127,798	74,521
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,318,106</u>	<u>2,199,774</u>

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENTS OF CASH FLOWS—Continued

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Investing Activities		
Additions to property and equipment	\$ (1,598,610)	\$ (711,541)
Projects in progress	140,562	(178,728)
Investments	<u>(182,983)</u>	<u>(177,623)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,641,031)</u>	<u>(1,067,892)</u>
Cash Flows from Financing Activities		
Principal payments on capital lease obligation	<u>(9,736)</u>	<u>(12,982)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(9,736)</u>	<u>(12,982)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(332,661)	1,118,900
Cash and Cash Equivalents at Beginning of Year	<u>4,587,351</u>	<u>3,468,451</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,254,690</u></u>	<u><u>\$ 4,587,351</u></u>
Supplemental Cash Flow Disclosures		
Interest paid	<u>\$ 1,508</u>	<u>\$ 2,011</u>
Capitalization of projects in progress	<u>\$ 182,126</u>	<u>\$ 233,901</u>

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A—DESCRIPTION OF ORGANIZATION

The Atlanta Community Food Bank, Inc. (the Food Bank or ACFB) is a not-for-profit corporation whose mission is to fight hunger by educating, empowering and engaging the community. ACFB was founded in 1979, and serves 29 counties in Metro Atlanta and North Georgia. ACFB's primary operational focus is the distribution of food and other donated grocery items. ACFB currently distributes nearly four million pounds of product each month to more than 600 not-for-profit partner agencies, including food pantries, community kitchens, shelters and other organizations that operate hunger relief programs. These partner agencies in turn, utilize the product from ACFB to provide groceries and meals for families and individuals suffering from hunger and food insecurity. In alignment with its mission, ACFB also operates several projects and initiatives that aid in education and advocacy, community building and our partner agencies' capacity to provide for people in need. Among these projects and initiatives are:

- Hunger 101 introduces groups of all ages to hunger and poverty issues in the U.S. and Georgia through interactive programs facilitated by ACFB staff and volunteers, and a downloadable online curriculum.
- The Atlanta Prosperity Campaign (APC) connects working families and individuals to money-saving programs and existing benefits which help them make ends meet and build for a brighter financial future.
- Kids In Need (KIN), a free store for teachers, provides nearly 500,000 pounds of brand new school supplies each year for students whose academic success is threatened by poverty. KIN serves qualifying schools in 12 metro area school systems.

The Atlanta Community Food Bank is a member of Feeding America, the nation's leading domestic hunger relief charity, in concert with over 200 other food banks nationwide.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Food Bank prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under FASB ASC 958, the Food Bank reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 support and expenses during the reported period. Actual results could differ from those estimates.

Comparative Statements: The amounts shown for the year ended June 30, 2012 in the accompanying financial statements are included to provide a basis for comparison with 2013 and present summarized totals only. Accordingly, the 2012 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with the financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Contributions and Unconditional Promises to Give: Contributions are recorded and presented in accordance with FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. Contributions are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. Unconditional promises to give are recorded as received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk adjusted discount rates.

The Food Bank uses the allowance method to determine the uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises received. Since all pledges receivable were deemed to be collectible there is no allowance for doubtful pledges at June 30, 2013 or 2012.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Noncash Contributions: Noncash contributions received and made are recorded at amounts that approximate their fair value at the date received or distributed.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

	2013		2012	
	lbs	\$	lbs	\$
Donated product received				
Food – federal	10,449,911	\$ 17,660,350	6,211,231	\$ 10,310,643
Food – other donations	29,944,991	50,607,035	25,862,679	42,927,488
Other – Kids in Need	603,209	2,505,926	332,872	1,303,588
		<u>\$ 70,773,311</u>		<u>\$ 54,541,719</u>
Donated product distributed				
Food – federal	10,363,405	\$ 17,514,154	7,904,452	\$ 13,121,390
Food – other donations	29,611,641	50,043,673	25,878,186	42,957,789
Other – Kids in Need	602,519	2,768,589	362,116	952,395
		<u>\$ 70,326,416</u>		<u>\$ 57,031,574</u>

The Food Bank purchased 6,960,064 pounds of product and distributed 6,763,307 pounds of purchased product in the year ended June 30, 2013. The Food Bank purchased 5,807,132 pounds of product and distributed 5,452,235 pounds of purchased product in the year ended June 30, 2012.

Contributed Services: Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or, (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Professional services recognized as of June 30, 2013 and 2012 in the accompanying financial statements are \$273,262 and \$192,178, respectively. However, not included in contributed services is the value of donated time by volunteers to aid in program and other services. These services were not included since they do not meet the criteria described above. Over 22,000 volunteer visits for the year ended June 30, 2013 resulted in 106,418 hours of service. For the year ended June 30, 2012, the Food Bank received over 22,000 volunteer visits that resulted in 109,978 hours of volunteer service.

Cash and Cash Equivalents: Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of their short maturities.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Uninsured Cash Balances: The Food Bank maintains its cash in bank deposit accounts at financial institutions. Cash accounts are insured by the FDIC for up to statutory limits. The Food Bank's cash balances periodically exceed the federally insured limit.

Accounts Receivable: Accounts receivable are stated as unpaid balances, less an allowance for doubtful accounts. The Food Bank provides for losses on accounts using management's estimates of probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivables.

Inventory: Inventory consists primarily of donated foods and related consumer products. Donated inventory has been valued in 2013 at \$1.69 per pound and in 2012 at \$1.66 per pound, which is an approximation of the average national wholesale value of one pound of donated product. This value was derived from Feeding America, and management believes it is a fair representation of value for the purpose stated above.

Investments: Investments are carried at fair market value in accordance with FASB ASC 958, *Investments – Debt and Equity Securities for Not-for-Profit Organizations*. Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value measurements are disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level II: Valuations based on quoted prices in markets that are not active or based on valuation models for which all significant inputs are observable, either directly or indirectly.

Level III: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Level III investments include situations where there is little, if any, market activity for the investments. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

All of the Food Bank's investments are Level I investments.

Endowment: In accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, the Board of Directors determined that all of the Food Bank's permanently restricted net assets meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Property and Equipment: The Food Bank capitalizes all expenditures for property, furniture and equipment in excess of \$2,500. Property and equipment are recorded at cost or fair value, if donated, and are depreciated using the straight line method as follows:

Buildings and improvements	15-30 years
Furniture and equipment	3-15 years
Vehicles	5-7 years

Depreciation expense in the amount of \$832,216 and \$778,121 has been charged to operations for the years ended June 30, 2013 and 2012, respectively.

Compensated Absences: It is the Organization's policy to permit employees to accumulate earned, but unused, paid time-off (PTO) benefits. In accordance with the provisions of FASB ASC 710-10-25, *Recognition of Compensated Absences*, no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, the amounts of such payments cannot be reasonably estimated, and are not paid if an employee leaves the Food Bank. All PTO is accrued when earned; a maximum of forty hours can be carried over to the next fiscal year.

Grant Revenue and Deferred Revenue: Grant revenue is primarily on a reimbursement basis and is recognized as expenditures are made. Unexpended funds received under these grants and contracts are recorded as deferred revenue. At June 30, 2013 deferred revenue also includes special event sponsorships and ticket sales that relate to an event in the subsequent year.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Share Contributions and Handling Fees: Share contributions and handling fees consist of those amounts paid to the Food Bank by agencies as a contribution to defray the costs of storage and distribution of food and other items. The food is picked up from the Food Bank by the agency or delivered by the Food Bank to agency sites for distribution to those in need. Share contributions and handling fees are reported net of cash credits to affiliated agencies. Cash credits are contributions received by the Food Bank on behalf of affiliated agencies.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: The Food Bank is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code. The Food Bank qualifies for the charitable contribution deduction.

Management does not believe there are any uncertain tax positions as defined by FASB ASC 740, *Income Taxes*, at June 30, 2013. The Food Bank could be subject to income tax examinations for its federal tax filings for the current tax year and previous filings for fiscal years ended in 2012, 2011, and 2010 still open under the statute of limitations.

Fair Value of Financial Instruments: Financial instruments, primarily cash, receivables and accounts payable are reported at values which the Food Bank believes are not significantly different from fair values. The Food Bank believes no significant credit risk exists with respect to any of its financial instruments.

Events Occurring After Report Date: Management has evaluated events and transactions that occurred between June 30, 2013 and October 23, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C—INVESTMENTS

The Food Bank’s investments at June 30, 2013 and 2012 are comprised of the following:

	2013		2012	
	Fair Value	Cost	Fair Value	Cost
Money Market Funds	\$ 27,746	\$ 27,746	\$ 690,220	\$ 690,220
Mutual Funds				
Intermediate Term Bond	1,842,995	1,910,740	1,823,123	1,792,815
Large Blend	1,285,999	1,234,792	-	-
Foreign Large Blend	1,245,130	1,267,952	495,741	590,000
Growth Index	1,161,512	1,004,754	2,649,337	2,636,474
Emerging Markets Bond	963,790	1,072,238	-	-
Value Index	819,466	663,831	975,546	970,633
Diversified Emerging Mkts	679,263	680,627	402,500	418,425
Small Blend	677,060	600,146	190,565	201,669
Real Estate	369,856	372,697	-	-
Mid Cap Growth	337,881	233,378	421,867	330,743
Mid Cap Value	341,728	331,049	-	-
Dividend Index	336,693	295,080	533,805	532,940
Bank Loan	319,848	323,353	-	-
High Yield Bond	318,404	306,442	269,118	260,056
World Bond	-	-	527,135	533,216
Short Term Bond	-	-	424,779	421,936
Intermediate Government	-	-	211,646	200,258
Large Cap Growth	-	-	3,156	3,049
Total Investments	<u>\$ 10,727,371</u>	<u>\$ 10,324,825</u>	<u>\$ 9,618,538</u>	<u>\$ 9,582,434</u>

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C—INVESTMENTS—Continued

Investment income for the years ended June 30, 2013 and 2012 is composed of:

	2013	2012
Interest income	\$ 222,334	\$ 220,935
Brokerage fees	(39,395)	(43,312)
Unrealized gain (loss) on investments	366,442	(1,051,074)
Realized gain on investments	479,071	952,600
Net Investment Income	<u>\$ 1,028,452</u>	<u>\$ 79,149</u>

NOTE D—BOARD DESIGNATED UNRESTRICTED NET ASSETS

The Board of Directors of the Food Bank reviews its plans for future needs and from time to time designates appropriate sums of unrestricted net assets to assure adequate funding for financing such activities. Unrestricted board designated net assets consists of the following at June 30, 2013 and 2012.

	2013	2012
Emergency relief fund	\$ 74,250	\$ 66,639
Future programming	5,502,397	4,887,146
Building fund endowment	532,703	532,704
	<u>\$ 6,109,350</u>	<u>\$ 5,486,489</u>

NOTE E—RESTRICTIONS ON NET ASSETS

Permanently Restricted Net Assets: The Board of Directors of the Food Bank has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Food Bank 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

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE E—RESTRICTIONS ON NET ASSETS—Continued

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 Food Bank in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Food Bank, and (7) the Food Bank's investment policies.

Investment Policy: The Food Bank 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. Endowment assets include those assets of donor-restricted funds that the Food Bank must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the endowment assets are invested in a manner recommended by the finance committee and approved by the board of directors.

To satisfy its long-term rate-of-return objectives, the Food Bank 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 Food Bank targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy: The Food Bank has a policy of appropriating for distribution each year 5% of the average total market value of the endowment for the trailing three-year period ending December 31. In the event the average annualized total return for the trailing three-year period fails to equal or exceed five percent, the Food Bank shall distribute only the Net Income (defined as interest, dividends and other income receipts from investments less expenses) until such time as the trailing three-year return again equal or exceeds 5%. In making distributions, the Food Bank is authorized to use both the Net Income and Net Capital Appreciation (defined as realized and unrealized appreciation in the fair market value of the investments) in excess of the fund's Historic Dollar Value (i.e. corpus). The Food Bank's executive committee shall have discretion

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE E—RESTRICTIONS ON NET ASSETS—Continued

over whether or not distributions are appropriated. If it is determined that a distribution is not needed in a particular year, the Executive Committee may waive the distribution for the current year and no appropriation will be made. No distributions were appropriated for the fiscal years ended June 30, 2013 or 2012.

Endowment net asset composition by type of fund as of June 30, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
William F. Shallenberger Trust Fund	\$ -	\$ 266,242	\$ 738,000	\$ 1,004,242
Endowment for Atlanta's Table	-	-	90,000	90,000
	<u>\$ -</u>	<u>\$ 266,242</u>	<u>\$ 828,000</u>	<u>\$ 1,094,242</u>

Endowment net asset composition by type of fund as of June 30, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
William F. Shallenberger Trust Fund	\$ -	\$ 157,688	\$ 738,000	\$ 895,688
Endowment for Atlanta's Table	-	-	90,000	90,000
	<u>\$ -</u>	<u>\$ 157,688</u>	<u>\$ 828,000</u>	<u>\$ 985,688</u>

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of the year	\$ -	\$ 157,688	\$ 828,000	\$ 985,688
Contributions	-	-	-	-
Investment income, net	-	17,896	-	17,896
Unrealized and realized gain, net	-	90,658	-	90,658
Appropriated for expenditure	-	-	-	-
End of the year	<u>\$ -</u>	<u>\$ 266,242</u>	<u>\$ 828,000</u>	<u>\$ 1,094,242</u>

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE E—RESTRICTIONS ON NET ASSETS—Continued

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of the year	\$ -	\$ 143,680	\$ 828,000	\$ 971,680
Contributions	-	-	-	-
Investment income, net	-	17,372	-	17,372
Unrealized and realized loss, net	-	(3,364)	-	(3,364)
Appropriated for expenditure	-	-	-	-
End of the year	<u>\$ -</u>	<u>\$ 157,688</u>	<u>\$ 828,000</u>	<u>\$ 985,688</u>

Temporarily Restricted Net Assets: Temporarily restricted net assets are contributions that are available for use for specific programs. Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Time Restrictions		
Grants designated for future expenditures	\$ 2,361,627	\$ 303,398
Purpose Restrictions		
Endowment earnings	266,242	157,688
Future program	61,671	36,135
Food purchase	112,088	118,848
Other programming	3,087	50,086
School supplies	-	13,100
	<u>\$ 2,804,715</u>	<u>\$ 679,255</u>

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE F—COMMITMENTS AND CONTINGENCIES

Agreement to Lease Office Space: The Food Bank leases building space at its 970 Jefferson Street building to a not-for-profit organization at \$2,000 per month for 20 months. Under the terms of the agreement, the Food Bank agreed to reduce the rent to \$1,000 per month and record \$1,000 a month as a charitable donation to the tenant. The lease was amended to waive ten months of rent. Effective July 1, 2010 an additional 1,250 square feet were leased for a total monthly rent of \$2,453. Rent payment was waived for the months of July 2010 through March 2011 for a total of \$22,077. Effective April 1, 2011 through August 2013, the tenant will pay \$2,453 per month.

Operating Lease: The Food Bank has obligations under various non-cancelable operating leases for office equipment. Future minimum lease payments for the years ending June 30 are as follows:

2014	\$	35,462
2015		46,830

Capital Lease: The Food Bank leases office equipment under capital leases. As of June 30, 2013 the cost and accumulated amortization of equipment under capital lease are included in property and equipment in the accompanying financial statements and are as follows:

Copiers and scanners	\$	84,944
Less accumulated depreciation		(84,944)
Net equipment under capital lease	\$	<u><u>-</u></u>

Related interest expense for the years ended June 30, 2013 and 2012 amounted to \$1,508 and \$2,011, respectively.

Commitment: The Food Bank entered into a contract on November 11, 2008 with the Georgia Mountain Food Bank (GMFB), another 501(c) (3) organization to act as a RDO (redistributing organization) on behalf of the Food Bank and Feeding America. Under the terms of the agreement the GMFB acts as a limited agent for the delivery of certain food services within a selected and assigned service area that has specifically been delegated by the Food Bank and agreed to by both parties. Key terms of the agreement are as follows:

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE F—COMMITMENTS AND CONTINGENCIES—Continued

- 1) The two organizations will remain separately organized, independent entities maintaining separate facilities and equipment. Each of the entities will maintain their own independent records and financial statements; however, they will share this information with each other. They will each maintain their own separate marketing and donor relations as well as other operations and will work together to ensure that they resolve any conflicts as to service area and local contacts.
- 2) GMFB provides ACFB the option of having one of their board members or another representative of the ACFB to serve as an ex-officio member of the GMFB's Board of Directors.

ACFB contributed \$10,000 to GMFB for operations during each of the years ended June 30, 2013 and 2012.

NOTE G—RETIREMENT EXPENSE

The Food Bank has a defined contribution pension plan covering all employees, twenty-one years of age or older, who have completed one year of service. The Food Bank presently contributes 7.5% of the employee's annual gross salary. The amount contributed to the plan for the years ended June 30, 2013 and 2012 was \$320,217 and \$301,660, respectively.