

ATLANTA COMMUNITY FOOD BANK, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

ATLANTA COMMUNITY FOOD BANK, INC.
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JUNE 30, 2014

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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, 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.

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, 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.

Report on Summarized Comparative Information

We have previously audited Atlanta Community Food Bank, Inc.'s 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 23, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Warren Averett, LLC

Atlanta, Georgia
October 21, 2014

ATLANTA COMMUNITY FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	ASSETS	
	2014	2013
CURRENT ASSETS		
Cash and cash equivalents		
Cash - ACFB	\$ 5,287,063	\$ 4,254,690
Cash - Agency	1,090,000	-
Receivables		
Share contributions and handling fees	141,634	143,965
Grants	1,448,894	1,899,325
Pledges	835,106	435,607
Other	45,163	27,475
Inventory – donated	4,700,499	5,088,692
Inventory – purchased	553,833	402,154
Prepaid expenses	205,718	186,434
Total current assets	14,307,910	12,438,342
PROPERTY AND EQUIPMENT		
Land	1,298,698	1,285,000
Buildings and improvements	10,060,811	10,010,443
Furniture and equipment	3,718,586	3,357,369
Vehicles	1,393,354	1,382,544
Total property and equipment	16,471,449	16,035,356
Less accumulated depreciation	(5,998,844)	(5,617,848)
	10,472,605	10,417,508
Projects in progress	69,385	41,564
Property and equipment, net	10,541,990	10,459,072
OTHER ASSETS		
Investments	12,511,048	10,727,371
Noncurrent pledge receivables	-	1,500,000
Total other assets	12,511,048	12,227,371
TOTAL ASSETS	\$ 37,360,948	\$ 35,124,785

See notes to financial statements.

ATLANTA COMMUNITY FOOD BANK, INC.
STATEMENTS OF FINANCIAL POSITION – CONTINUED
JUNE 30, 2014 AND 2013

LIABILITIES AND NET ASSETS		
	2014	2013
CURRENT LIABILITIES		
Accounts payable	\$ 1,235,785	\$ 1,407,059
Accrued liabilities	1,194,766	746,417
Deferred revenue	306,523	265,070
Agency liability	1,090,000	-
Total current liabilities	3,827,074	2,418,546
NONCURRENT LIABILITIES		
Noncurrent liabilities	4,852	6,600
Total noncurrent liabilities	3,831,926	2,425,146
NET ASSETS		
Unrestricted		
Undesignated	22,047,809	22,957,574
Board designated	7,757,557	6,109,350
	29,805,366	29,066,924
Temporarily restricted	2,895,656	2,804,715
Permanently restricted	828,000	828,000
Total net assets	33,529,022	32,699,639
TOTAL LIABILITIES AND NET ASSETS	\$ 37,360,948	\$ 35,124,785

See notes to financial statements.

**ATLANTA COMMUNITY FOOD BANK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT AND REVENUE					
Support					
Donated product	\$ 78,431,107	\$ -	\$ -	\$ 78,431,107	\$ 70,773,311
Federal grants	-	7,735,793	-	7,735,793	7,991,565
Contributions	6,016,468	1,828,206	-	7,844,674	8,814,305
In kind contributions	944,135	-	-	944,135	771,038
Special events (net of direct costs of \$538,467 and \$459,808 respectively)	2,660,779	-	-	2,660,779	2,585,962
Net assets released from restrictions	9,920,872	(9,920,872)	-	-	-
Total support	97,973,361	(356,873)	-	97,616,488	90,936,181
Revenue					
Share contributions and handling fees	2,902,181	-	-	2,902,181	2,859,000
Net investment income	1,335,717	447,814	-	1,783,531	1,028,452
Other income	776,624	-	-	776,624	442,094
Total revenue	5,014,522	447,814	-	5,462,336	4,329,546
TOTAL SUPPORT AND REVENUE	102,987,883	90,941	-	103,078,824	95,265,727
EXPENSES					
Program services					
Collection, storage and distribution of food	93,447,303	-	-	93,447,303	83,683,834
Kids in Need	2,829,050	-	-	2,829,050	3,048,133
Advocacy	651,787	-	-	651,787	1,121,030
Total program services	96,928,140	-	-	96,928,140	87,852,997
Supporting services					
Management and general	3,508,596	-	-	3,508,596	2,881,124
Fundraising	1,812,705	-	-	1,812,705	1,486,048
Total supporting services	5,321,301	-	-	5,321,301	4,367,172
TOTAL EXPENSES	102,249,441	-	-	102,249,441	92,220,169
CHANGES IN NET ASSETS	738,442	90,941	-	829,383	3,045,558
NET ASSETS AT					
BEGINNING OF YEAR	29,066,924	2,804,715	828,000	32,699,639	29,654,081
NET ASSETS AT					
END OF YEAR	\$ 29,805,366	\$ 2,895,656	\$ 828,000	\$ 33,529,022	\$ 32,699,639

See notes to financial statements.

**ATLANTA COMMUNITY FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

	Program Services			Supporting Services			2014 Total Expenses	2013 Total Expenses
	Collection, Storage and Distribution of Food	Kids in Need	Advocacy	Total Program Services	Management and General	Fundraising		
Donated product distributed	\$ 76,313,542	\$ 2,500,468	\$ -	\$ 78,814,010	\$ -	\$ -	\$ 78,814,010	\$ 70,326,416
Salaries, contract labor & payroll taxes	4,352,282	194,903	418,915	4,966,100	1,579,123	719,672	7,264,895	6,686,527
Product purchases	5,685,039	10,472	-	5,695,511	1,332	-	5,696,843	4,826,047
Contributions/agency subsidy	3,569,577	-	1,000	3,570,577	65,115	-	3,635,692	4,407,312
Employee benefits	686,719	40,984	58,836	786,539	244,867	86,884	1,118,290	918,191
Depreciation	735,751	13,681	15,999	765,431	173,633	221	939,285	832,216
Project expenses	131,808	2,036	21,770	155,614	166,971	132,042	454,627	396,047
Postage & printing	67,331	2,741	82,936	153,008	52,976	588,585	794,569	739,963
Professional services	139,318	2,250	4,465	146,033	482,364	70,599	698,996	377,586
Occupancy	477,960	33,471	4,122	515,553	365,570	1,985	883,108	882,716
Product shipping & transportation	552,784	5,915	-	558,699	-	-	558,699	445,244
Supplies	220,028	5,159	8,783	233,970	71,648	96,579	402,197	364,938
Equipment maintenance & leasing	156,986	7,137	1,696	165,819	94,805	-	260,624	223,800
Miscellaneous	6,961	47	10	7,018	49,151	95,181	151,350	217,619
Promotional/event expenses	28,569	91	-	28,660	14,799	187	43,646	71,721
Insurance	83,261	5,814	1,139	90,214	35,249	2,085	127,548	134,567
Travel	67,795	1,329	19,128	88,252	18,971	5,595	112,818	88,212
Conference/education/training	41,419	95	5,422	46,936	38,116	8,055	93,107	72,395
Communications	42,679	1,010	6,096	49,785	33,540	3,695	87,020	100,781
Professional dues & memberships	63,006	250	125	63,381	10,269	674	74,324	77,870
Other employee expenses	24,488	1,197	1,345	27,030	10,097	666	37,793	30,001
Total expenses	\$ 93,447,303	\$ 2,829,050	\$ 651,787	\$ 96,928,140	\$ 3,508,596	\$ 1,812,705	\$ 102,249,441	\$ 92,220,169

See notes to financial statements.

**ATLANTA COMMUNITY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 829,383	\$ 3,045,558
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	939,285	832,216
Contribution of marketable securities	(67,361)	(80,337)
Loss on sale of equipment	49,669	47,793
Gain on sale of investments	(415,809)	(479,071)
Unrealized gain on investments	(1,181,901)	(366,442)
Decrease (increase) in inventory – donated	388,193	(328,122)
Change in assets and liabilities:		
Decrease (increase) in receivables	1,535,575	(2,138,829)
Increase in inventory – purchased	(151,679)	(118,772)
Increase in prepaid expenses	(19,284)	(33,144)
Increase in agency liability	1,090,000	-
Increase in accounts payable and accrued liabilities	275,327	809,458
Increase in deferred revenue	41,453	127,798
Net cash provided by operating activities	3,312,851	1,318,106

See notes to financial statements.

**ATLANTA COMMUNITY FOOD BANK, INC.
STATEMENTS OF CASH FLOWS – CONTINUED
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	\$ (1,081,627)	\$ (1,598,610)
Projects in progress	9,755	140,562
Investments	(118,606)	(182,983)
Net cash used in investing activities	(1,190,478)	(1,641,031)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	-	(9,736)
Net cash used in financing activities	-	(9,736)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,122,373	(332,661)
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	4,254,690	4,587,351
AT END OF YEAR	\$ 6,377,063	\$ 4,254,690
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid	\$ -	\$ 1,508
Capitalization of projects in progress	\$ 41,564	\$ 182,126

See notes to financial statements.

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. 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 engaging, educating, and empowering our 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 over 50 million pounds of product each year 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 programs and initiatives that aid in education and advocacy, community building and ACFB 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.
- 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 17 metro area school systems.
- Agency Capacity Building & Community Building provides grants as well as consultation and workshops for ACFB partner agencies. This support increases agencies' ability to serve people in need in their specific location as well as to collaborate with other like-minded agencies to more fully address the impacts of poverty.

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.

2. 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.

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.

**ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comparative Statements

The amounts shown for the year ended June 30, 2013 in the accompanying financial statements are included to provide a basis for comparison with 2014 and present summarized totals only. Accordingly, the 2013 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, 2013, 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, 2014 or 2013.

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.

	2014		2013	
	lbs	\$	lbs	\$
Donated product received				
Food – federal	10,049,041	\$ 17,284,351	10,449,911	\$ 17,660,350
Food – other donations	34,437,593	59,232,659	29,944,991	50,607,035
Other – Kids in Need	707,947	1,914,097	603,209	2,505,926
		\$ 78,431,107		\$ 70,773,311

**ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

	2014		2013	
	lbs	\$	lbs	\$
Donated product distributed				
Food – federal	10,165,518	\$ 17,484,691	10,363,405	\$ 17,514,154
Food – other donations	34,202,821	58,828,851	29,611,641	50,043,673
Other – Kids in Need	734,257	2,500,468	602,519	2,768,589
		<u>\$ 78,814,010</u>		<u>\$ 70,326,416</u>

The Food Bank purchased 8,507,667 pounds of product and distributed 8,364,472 pounds of purchased product in the year ended June 30, 2014. 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.

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, 2014 and 2013 in the accompanying financial statements are \$384,215 and \$273,262, 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 19,000 volunteer visits for the year ended June 30, 2014 resulted in 91,612 hours of service. For the year ended June 30, 2013 the Food Bank received over 22,000 volunteer visits that resulted in 106,418 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.

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.

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Other Receivables

Receivables 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 2014 at \$1.72 per pound and in 2013 at \$1.69 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.

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).

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$939,285 and \$832,216 has been charged to operations for the years ended June 30, 2014 and 2013, respectively.

Compensated Absences

It is the Food Bank'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, 2014 deferred revenue also includes special event sponsorships and ticket sales that relate to an event in the subsequent year.

Agency Liability

During the year ended June 30, 2014 the Food Bank received funds from a foundation to be distributed to another nonprofit organization. These funds are recorded as an agency liability as of June 30, 2014. The Food Bank intends to distribute these funds to the nonprofit organization by June 30, 2015.

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.

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2014. 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 2013, 2012, and 2011 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, 2014 and October 21, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

3. INVESTMENTS

Investment income for the years ended June 30, 2014 and 2013 is composed of:

	<u>2014</u>	<u>2013</u>
Interest income	\$ 229,271	\$ 222,334
Brokerage fees	(43,450)	(39,395)
Unrealized gain (loss) on investments	1,181,901	366,442
Realized gain on investments	<u>415,809</u>	<u>479,071</u>
Net Investment Income	<u>\$ 1,783,531</u>	<u>\$ 1,028,452</u>

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3. INVESTMENTS – CONTINUED

The Food Bank's investments at June 30, 2014 and 2013 are comprised of the following:

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Money Market Funds	\$ 20,598	\$ 20,598	\$ 27,746	\$ 27,746
Mutual Funds				
Intermediate Term Bond	2,184,924	2,224,718	1,842,995	1,910,740
Large Blend	1,509,058	1,183,414	1,285,999	1,234,792
Value Index	1,391,652	1,016,487	819,466	663,831
Growth Index	1,396,776	966,560	1,161,512	1,004,754
Foreign Large Blend	1,016,590	846,255	1,245,130	1,267,952
Emerging Markets Bond	699,291	782,077	963,790	1,072,238
Mid Cap Value	638,048	604,823	341,728	331,049
Small Blend	824,779	597,553	677,060	600,146
International	490,797	485,500	-	-
Intermediate Government	485,224	485,224	-	-
Diversified Emerging Mkts	518,273	424,307	679,263	680,627
Bank Loan	353,653	355,642	319,848	323,353
Strategic Income	355,189	350,887	-	-
Small Cap	314,420	303,400	-	-
Real Estate	311,776	279,156	369,856	372,697
Dividend Index	-	-	336,693	295,080
High Yield Bond	-	-	318,404	306,442
Mid Cap Growth	-	-	337,881	233,378
Total Investments	<u>\$ 12,511,048</u>	<u>\$ 10,926,601</u>	<u>\$ 10,727,371</u>	<u>\$ 10,324,825</u>

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4. 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, 2014 and 2013.

	2014	2013
Future programming	\$ 6,797,196	\$ 5,502,397
Building fund endowment	532,703	532,703
Equipment replacement reserves	340,273	-
Emergency relief fund	87,385	74,250
	\$ 7,757,557	\$ 6,109,350

5. 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 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.

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
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5. RESTRICTIONS ON NET ASSETS – CONTINUED

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 5%, 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 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, 2014 or 2013.

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
William F. Shallenberger				
Trust Fund	\$ -	\$ 447,814	\$ 738,000	\$ 1,185,814
Endowment for Atlanta's Table	-	-	90,000	90,000
	<u>\$ -</u>	<u>\$ 447,814</u>	<u>\$ 828,000</u>	<u>\$ 1,275,814</u>

**ATLANTA COMMUNITY FOOD BANK, INC.
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5. RESTRICTIONS ON NET ASSETS – CONTINUED

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of the year	\$ -	\$ 266,242	\$ 828,000	\$ 1,094,242
Contributions	-	-	-	-
Investment income, net	-	18,241	-	18,241
Unrealized and realized gain, net	-	429,573	-	429,573
Earnings released from restriction	-	(266,242)	-	(266,242)
End of the year	<u>\$ -</u>	<u>\$ 447,814</u>	<u>\$ 828,000</u>	<u>\$ 1,275,814</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of the year	\$ -	\$ 157,688	\$ 828,000	\$ 985,688
Contributions	-	-	-	-
Investment income, net	-	17,896	-	17,896
Unrealized and realized loss, 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
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5. RESTRICTIONS ON NET ASSETS – CONTINUED

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Time Restrictions		
Grants designated for future expenditures	\$ 1,533,330	\$ 2,361,627
Purpose Restrictions		
Healthy Initiatives	766,332	-
Food purchase	75,019	112,088
Nutritional outreach	50,000	-
Feasibility study	12,271	-
Other programming	10,890	3,087
Endowment earnings	447,814	266,242
Future program	-	61,671
	<u>\$ 2,895,656</u>	<u>\$ 2,804,715</u>

6. 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 \$2,453 per month. The lease was renewed through August 31, 2014.

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	\$ 44,227
2015	6,034

Capital Lease

The Food Bank leases office equipment under capital leases. As of June 30, 2014 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	<u>(84,944)</u>
Net equipment under capital lease	<u>\$ -</u>

ATLANTA COMMUNITY FOOD BANK, INC.
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6. COMMITMENTS AND CONTINGENCIES – CONTINUED

There was no related interest expense for the year ended June 30, 2014. Related interest expense for the year ended June 30, 2013 was \$1,508.

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:

- 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 \$65,000 and \$10,000 to GMFB for operations during the years ended June 30, 2014 and 2013, respectively.

7. 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, 2014 and 2013 was \$364,725 and \$320,217, respectively.