

ATLANTA COMMUNITY FOOD BANK, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2015

ATLANTA COMMUNITY FOOD BANK, INC.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Atlanta Community Food Bank, Inc. (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Community Food Bank, Inc. as of June 30, 2015, and the changes in its consolidated net assets and its consolidated 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of June 30, 2015 and consolidating statement of activities for the year ended June 30, 2015 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Warren Averett, LLC

Atlanta, Georgia
December 14, 2015

ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015 AND JUNE 30, 2014

	ASSETS	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents		
Cash – ACFB	\$ 3,857,739	\$ 5,287,063
Cash – Agency	<u>3,495,370</u>	<u>1,090,000</u>
Total cash and cash equivalents	7,353,109	6,377,063
Receivables		
Share contributions and handling fees	137,307	141,634
Grants	1,182,560	1,448,894
Pledges	446,249	835,106
Other	46,249	45,163
Inventory – donated	4,578,559	4,700,499
Inventory – purchased	591,630	553,833
Prepaid expenses	<u>210,809</u>	<u>205,718</u>
Total current assets	<u>14,546,472</u>	<u>14,307,910</u>
PROPERTY AND EQUIPMENT		
Land	1,298,698	1,298,698
Buildings and improvements	10,063,655	10,060,811
Furniture and equipment	3,828,296	3,718,586
Vehicles	<u>1,469,439</u>	<u>1,393,354</u>
Total property and equipment	16,660,088	16,471,449
Less accumulated depreciation	<u>(6,859,402)</u>	<u>(5,998,844)</u>
	9,800,686	10,472,605
Projects in progress	<u>380,393</u>	<u>69,385</u>
Property and equipment, net	<u>10,181,079</u>	<u>10,541,990</u>
OTHER ASSETS		
Investments	<u>12,529,715</u>	<u>12,511,048</u>
Total other assets	<u>12,529,715</u>	<u>12,511,048</u>
TOTAL ASSETS	<u><u>\$ 37,257,266</u></u>	<u><u>\$ 37,360,948</u></u>

See notes to financial statements.

ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED
JUNE 30, 2015 AND JUNE 30, 2014

LIABILITIES AND NET ASSETS		
	2015	2014
CURRENT LIABILITIES		
Accounts payable	\$ 1,406,786	\$ 1,235,785
Accrued liabilities	1,203,172	1,194,766
Deferred revenue	236,165	306,523
Agency liability	3,000,000	1,090,000
Total current liabilities	5,846,123	3,827,074
NONCURRENT LIABILITIES		
Noncurrent liabilities	1,552	4,852
Total liabilities	5,847,675	3,831,926
NET ASSETS		
Unrestricted		
Undesignated	21,330,567	22,047,809
Board designated	7,813,778	7,757,557
	29,144,345	29,805,366
Temporarily restricted	1,437,246	2,895,656
Permanently restricted	828,000	828,000
Total net assets	31,409,591	33,529,022
TOTAL LIABILITIES AND NET ASSETS	\$ 37,257,266	\$ 37,360,948

See notes to financial statements.

ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT AND REVENUE					
SUPPORT					
Donated product	\$ 96,531,691	\$ -	\$ -	\$ 96,531,691	\$ 78,431,107
Federal grants	8,611,829	-	-	8,611,829	7,735,793
Contributions	8,191,809	1,243,122	-	9,434,931	7,844,674
In kind contributions	854,179	-	-	854,179	944,135
Special events (net of direct costs of \$564,447)	3,319,791	-	-	3,319,791	2,660,779
Net assets released from restrictions	2,754,851	(2,754,851)	-	-	-
Total support	120,264,150	(1,511,729)	-	118,752,421	97,616,488
REVENUE					
Share contributions and handling fees	2,654,192	-	-	2,654,192	2,902,181
Net investment earnings (loss)	(34,651)	53,319	-	18,668	1,783,531
Other income	901,237	-	-	901,237	776,624
Total revenue	3,520,778	53,319	-	3,574,097	5,462,336
TOTAL SUPPORT AND REVENUE	123,784,928	(1,458,410)	-	122,326,518	103,078,824
EXPENSES					
PROGRAM SERVICES					
Collection, storage and distribution of food	114,543,381	-	-	114,543,381	93,447,303
Kids in Need	3,718,053	-	-	3,718,053	2,829,050
Advocacy	53,124	-	-	53,124	651,787
Total program services	118,314,558	-	-	118,314,558	96,928,140
SUPPORTING SERVICES					
Management and general	4,453,578	-	-	4,453,578	3,508,596
Fundraising	1,677,813	-	-	1,677,813	1,812,705
Total supporting services	6,131,391	-	-	6,131,391	5,321,301
TOTAL EXPENSES	124,445,949	-	-	124,445,949	102,249,441
CHANGES IN NET ASSETS	(661,021)	(1,458,410)	-	(2,119,431)	829,383
NET ASSETS AT BEGINNING OF YEAR	29,805,366	2,895,656	828,000	33,529,022	32,699,639
NET ASSETS AT END OF YEAR	\$ 29,144,345	\$ 1,437,246	\$ 828,000	\$ 31,409,591	\$ 33,529,022

See notes to financial statements.

**ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014**

	2015						2014	
	Program Services			Supporting Services			Total Expenses	Total Expenses
	Collection, Storage and Distribution of Food	Kids in Need	Advocacy	Total Program Services	Management and General	Fundraising		
Donated product distributed	\$ 93,264,321	\$ 3,351,572	\$ -	\$ 96,615,893	\$ -	\$ -	\$ 96,615,893	\$ 78,814,010
Salaries, contract labor and payroll taxes	5,265,437	211,397	53,124	5,529,958	2,045,056	751,042	8,326,056	7,264,895
Product purchase	5,586,016	1,957	-	5,587,973	-	-	5,587,973	5,696,843
Contributions/agency subsidy	5,755,107	-	-	5,755,107	-	-	5,755,107	3,635,692
Employee benefits	902,653	45,290	-	947,943	252,341	117,907	1,318,191	1,118,290
Occupancy	224,591	35,932	-	260,523	843,604	37,240	1,141,367	883,108
Depreciation	859,514	15,403	-	874,917	159,641	221	1,034,779	939,285
Project expenses	717,230	4,180	-	721,410	60,239	10,422	792,071	454,627
Postage and printing	132,548	695	-	133,243	44,353	581,355	758,951	794,569
Product shipping & transportation	692,305	38,097	-	730,402	5,952	73	736,427	558,699
Promotional/event expenses	148,644	-	-	148,644	173	100,942	249,759	43,646
Professional services	345,667	-	-	345,667	412,914	11,701	770,282	698,996
Supplies	138,261	4,767	-	143,028	382,468	46,894	572,390	402,197
Equipment maintenance & leasing	110,648	-	-	110,648	66,570	-	177,218	260,624
Communications	14,190	-	-	14,190	3,896	6,830	24,916	87,020
Insurance	80,831	5,580	-	86,411	44,362	2,143	132,916	127,548
Lease Payments	107,860	-	-	107,860	15,720	-	123,580	37,793
Travel	70,917	1,927	-	72,844	34,027	5,700	112,571	112,818
Conference/education/training	43,723	480	-	44,203	59,952	4,471	108,626	93,107
Professional dues & memberships	82,918	750	-	83,668	12,179	849	96,696	74,324
Miscellaneous	-	26	-	26	10,131	23	10,180	151,350
Total expenses	\$ 114,543,381	\$ 3,718,053	\$ 53,124	\$ 118,314,558	\$ 4,453,578	\$ 1,677,813	\$ 124,445,949	\$ 102,249,441

See notes to financial statements.

ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,119,431)	\$ 829,383
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,034,779	939,285
Contribution of marketable securities	(524,951)	(67,361)
Loss on sale of equipment	47,079	49,669
Loss on sale of investments	79,729	(415,809)
Unrealized loss on investments	109,422	(1,181,901)
Decrease in inventory – donated	121,940	388,193
Change in assets and liabilities:		
Decrease in receivables	658,432	1,535,575
Increase in inventory – purchased	(37,797)	(151,679)
Increase in prepaid expenses	(5,091)	(19,284)
Increase in agency liability	1,910,000	1,090,000
Increase in accounts payable and accrued liabilities	176,107	275,327
Decrease in deferred revenue	(70,358)	41,453
Net cash provided by operating activities	1,379,860	3,312,851
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(432,407)	(1,081,627)
Projects in progress	(288,540)	9,755
Investments	317,133	(118,606)
Net cash used in investing activities	(403,814)	(1,190,478)
NET INCREASE IN CASH AND CASH EQUIVALENTS	976,046	2,122,373
CASH AND CASH EQUIVALENTS		
AT BEGINNING OF YEAR	6,377,063	4,254,690
AT END OF YEAR	\$ 7,353,109	\$ 6,377,063
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Capitalization of projects in progress	\$ 69,385	\$ 41,564

See notes to financial statements.

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014

1. DESCRIPTION OF ORGANIZATION

The Atlanta Community Food Bank, Inc. (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 60 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 800,000 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.
- 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.

Food Well Alliance, Inc. (FWA) is a nonprofit organization whose mission is to connect, promote and mobilize support and awareness for educational and innovative activities that are building healthier communities. FWA was established in June 2014 by the Atlanta Community Food Bank (ACFB) through a grant in which the terms provided that ACFB act as an agent to establish and incubate FWA. FWA was incorporated as a nonprofit corporation on June 19, 2015.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-20, *Not-for-Profit Entities – Financially Related Entities*, since ACFB has a controlling financial interest in FWA, the entities have been consolidated and are collectively referred to herein as "the Food Bank."

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of ACFB and FWA. All inter-organization balances and transactions were eliminated in consolidation.

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.

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, 2015.

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.

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Noncash Contributions

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

	2015		2014	
	lbs	\$	lbs	\$
Donated product received				
Food – federal	13,049,323	\$ 22,183,848	10,049,041	\$ 17,284,351
Food – other donations	41,382,288	70,349,890	34,437,593	59,232,659
Other – Kids in Need	1,007,041	3,997,953	707,947	1,914,097
		<u>\$ 96,531,691</u>		<u>\$ 78,431,107</u>
Donated product distributed				
Food – federal	13,576,681	\$ 23,080,358	10,165,518	\$ 17,484,691
Food – other donations	41,284,684	70,183,963	34,202,821	58,828,851
Other – Kids in Need	904,582	3,351,572	734,257	2,500,468
		<u>\$ 96,615,893</u>		<u>\$ 78,814,010</u>

ACFB purchased 9,625,817 pounds of product and distributed 9,296,413 pounds of purchased product in the year ended June 30, 2015. ACFB purchased 8,507,667 pounds of product and distributed 8,364,472 pounds of purchased product in the year ended June 30, 2014.

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, 2015 and 2014 in the accompanying financial statements are \$236,927 and \$384,215, 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. ACFB received over 34,800 volunteer visits for the year ended June 30, 2015, resulting in 102,098 hours of service. For the year ended June 30, 2014, ACFB received over 19,000 volunteer visits that resulted in 91,612 hours of 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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014

2. 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 up to statutory limits. The Food Bank's cash balances periodically exceed the federally insured limit. At June 30, 2015 and 2014 the Food Bank's uninsured cash balances were \$6,978,713 and \$5,990,238, respectively.

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 2015 and 2014 at \$1.70 per pound and \$1.72 per pound, respectively, 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 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.

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$5,000. 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 \$1,034,779 and \$939,285 has been charged to operations for the year ended June 30, 2015 and 2014, 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, and 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, 2015 and 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, 2015 and 2014, ACFB received funds from a foundation to be distributed to another nonprofit organization. These funds are recorded as an agency liability as of June 30, 2015 and 2014. The Food Bank intends to distribute these funds to the nonprofit organization by June 30, 2016.

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014

2. 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, 2015 and 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 2014, 2013, and 2012 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, 2015 and December 14, 2015, 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 CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014

3. INVESTMENTS

The Food Bank's investments at June 30, 2015 and 2014 are comprised of the following:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Money Market Funds	\$ 152,061	\$ 152,061	\$ 20,598	\$ 20,598
Mutual Funds				
Value Index	2,001,110	1,593,455	1,391,652	1,016,487
Fixed Income Bonds	1,470,806	1,497,057	-	-
Growth Index	2,000,002	1,417,581	1,396,776	966,560
Large Blend	1,531,728	1,139,808	1,509,058	1,183,414
Intermediate Term Bond	1,012,615	1,045,062	2,184,924	2,224,718
International Equity Index	805,953	811,045	-	-
Mid Cap Value	715,302	671,605	638,048	604,823
Absolute Return Fund	381,150	383,500	-	-
Alternative Multi-Strategy	380,768	383,500	-	-
International	315,196	322,191	490,797	485,500
Global Bonds	280,874	282,249	-	-
Global Long/Short Credit	255,147	256,000	-	-
Small Cap	199,945	213,034	314,420	303,400
Small Blend	324,636	211,848	824,779	597,553
Emerging Markets Bond	195,036	193,530	699,291	782,077
Strategic Income	189,633	193,266	355,189	350,887
Diversified Emerging Mkts	181,575	169,553	518,273	424,307
Real Estate	136,178	118,345	311,776	279,156
Foreign Large Blend	-	-	1,016,590	846,255
Intermediate Government	-	-	485,224	485,224
Bank Loan	-	-	353,653	355,642
Total Investments	\$ 12,529,715	\$ 11,054,690	\$ 12,511,048	\$ 10,926,601

Investment income for the year ended June 30, 2015 and 2014 is composed of:

	2015	2014
Interest income	\$ 254,326	\$ 229,271
Brokerage fees	(46,507)	(43,450)
Unrealized (loss) gain on investments	(109,422)	1,181,901
Realized (loss) gain on investments	(79,729)	415,809
Net Investment Income	\$ 18,668	\$ 1,783,531

**ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 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:

	<u>2015</u>	<u>2014</u>
Future programming	\$ 6,833,078	\$ 6,797,196
Building fund endowment	532,703	532,703
Equipment replacement reserves	356,785	340,273
Emergency relief fund	91,212	87,385
	<u>\$ 7,813,778</u>	<u>\$ 7,757,557</u>

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.

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.

**ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014**

5. RESTRICTIONS ON NET ASSETS – CONTINUED

Investment Policy – Continued

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

ACFB adopted a spending policy of up to 4% of the endowment fund's average market value over the previous three-year period. ACFB will calculate this value annually based on fiscal year end (June 30) valuations and will arrange to have these assets transferred, as needed, in four equal installments throughout the year. The allocation of the withdrawal amount shall be based on rebalancing and cost considerations.

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 year ended June 30, 2015.

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
William F. Shallenberger Trust Fund	\$ -	\$ 501,133	\$ 738,000	\$ 1,239,133
Endowment for Atlanta's Table	-	-	90,000	90,000
	<u>\$ -</u>	<u>\$ 501,133</u>	<u>\$ 828,000</u>	<u>\$ 1,329,133</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014**

5. RESTRICTIONS ON NET ASSETS – CONTINUED

Spending Policy – Continued

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of the year	\$ -	\$ 447,814	\$ 828,000	\$ 1,275,814
Contributions	-	-	-	-
Investment income, net	-	20,584	-	20,584
Unrealized and realized gain, net	-	32,735	-	32,735
Earnings released from restriction	-	-	-	-
End of the year	<u>\$ -</u>	<u>\$ 501,133</u>	<u>\$ 828,000</u>	<u>\$ 1,329,133</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 loss, net	-	429,573	-	429,573
Appropriated for expenditure	-	(266,242)	-	(266,242)
End of the year	<u>\$ -</u>	<u>\$ 447,814</u>	<u>\$ 828,000</u>	<u>\$ 1,275,814</u>

**ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014**

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, 2015:

	<u>2015</u>	<u>2014</u>
Time Restrictions		
Grants designated for future expenditures	\$ 57,717	\$ 1,533,330
Purpose Restrictions		
Capital Projects	527,038	-
Endowment earnings	501,133	447,814
Healthy Initiatives	220,315	766,332
Other programming	68,759	10,890
Food purchase	62,284	75,019
Nutritional outreach	-	50,000
Feasibility study	-	12,271
	<u>\$ 1,437,246</u>	<u>\$ 2,895,656</u>

6. COMMITMENTS AND CONTINGENCIES

Agreement to Lease Office Space

During the years ended June 30, 2015 and 2014, the Food Bank leased building space at its 970 Jefferson Street building to a not-for-profit organization at \$2,453 per month. The lease ended August 31, 2014 and was not renewed.

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:

2016	\$ 45,949
2017	41,371
2018	41,371
2019	41,371
2020	40,003
Thereafter	6,667

ATLANTA COMMUNITY FOOD BANK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND JUNE 30, 2014

6. COMMITMENTS AND CONTINGENCIES – CONTINUED

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 \$101,391 and \$65,000 to GMFB for operations during the years ended June 30, 2015 and 2014, 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, 2015 and 2014 was \$393,994 and \$364,725, respectively.

SUPPLEMENTARY INFORMATION

ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

	<u>Atlanta Community Food Bank</u>	<u>Food Well Alliance</u>	<u>Eliminating Entries</u>	<u>Consolidated Total</u>
CURRENT ASSETS				
Cash and cash equivalents				
Cash – ACFB	\$ 3,857,739	\$ -	\$ -	\$ 3,857,739
Cash – Agency	3,495,370	-	-	3,495,370
Receivables				
Share contributions and handling fees	137,307	-	-	137,307
Grants	1,182,560	-	-	1,182,560
Pledges	446,249	-	-	446,249
Other	46,249	495,370	(495,370)	46,249
Inventory – donated	4,578,559	-	-	4,578,559
Inventory – purchased	591,630	-	-	591,630
Prepaid expenses	210,809	-	-	210,809
Total current assets	<u>14,546,472</u>	<u>495,370</u>	<u>(495,370)</u>	<u>14,546,472</u>
PROPERTY AND EQUIPMENT				
Land	1,298,698	-	-	1,298,698
Buildings and improvements	10,063,655	-	-	10,063,655
Furniture and equipment	3,828,296	-	-	3,828,296
Vehicles	1,469,439	-	-	1,469,439
Total property and equipment	16,660,088	-	-	16,660,088
Less accumulated depreciation	(6,859,402)	-	-	(6,859,402)
Projects in progress	9,800,686	-	-	9,800,686
Property and equipment, net	<u>10,181,079</u>	<u>-</u>	<u>-</u>	<u>10,181,079</u>
OTHER ASSETS				
Investments	12,529,715	-	-	12,529,715
Total other assets	<u>12,529,715</u>	<u>-</u>	<u>-</u>	<u>12,529,715</u>
TOTAL ASSETS	<u>\$ 37,257,266</u>	<u>\$ 495,370</u>	<u>\$ (495,370)</u>	<u>\$ 37,257,266</u>

**ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – CONTINUED
JUNE 30, 2015**

	Atlanta Community Food Bank	Food Well Alliance	Eliminating Entries	Consolidated Total
CURRENT LIABILITIES				
Accounts payable	\$ 1,406,786	\$ -	\$ -	\$ 1,406,786
Accrued liabilities	1,203,172	-	-	1,203,172
Deferred revenue	236,165	-	-	236,165
Agency liability	3,495,370	-	(495,370)	3,000,000
Total current liabilities	<u>6,341,493</u>	<u>-</u>	<u>(495,370)</u>	<u>5,846,123</u>
NONCURRENT LIABILITIES				
Noncurrent liabilities	1,552	-	-	1,552
Total liabilities	<u>6,343,045</u>	<u>-</u>	<u>(495,370)</u>	<u>5,847,675</u>
NET ASSETS				
Unrestricted				
Undesignated	20,835,197	495,370	-	21,330,567
Board designated	7,813,778	-	-	7,813,778
	<u>28,648,975</u>	<u>495,370</u>	<u>-</u>	<u>29,144,345</u>
Temporarily restricted	1,437,246	-	-	1,437,246
Permanently restricted	828,000	-	-	828,000
Total net assets	<u>30,914,221</u>	<u>495,370</u>	<u>-</u>	<u>31,409,591</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,257,266</u>	<u>\$ 495,370</u>	<u>\$ (495,370)</u>	<u>\$ 37,257,266</u>

ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2015

	Atlanta Community Food Bank			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT AND REVENUE				
SUPPORT				
Donated product	\$ 96,531,691	\$ -	\$ -	\$ 96,531,691
Federal grants	8,611,829	-	-	8,611,829
Contributions	7,101,809	1,243,122	-	8,344,931
In kind contributions	854,179	-	-	854,179
Special events (net of direct costs of \$564,447)	3,319,791	-	-	3,319,791
Net assets released from restrictions	2,754,851	(2,754,851)	-	-
Total support	<u>119,174,150</u>	<u>(1,511,729)</u>	<u>-</u>	<u>117,662,421</u>
REVENUE				
Share contributions and handling fees	2,654,192	-	-	2,654,192
Net investment income	(34,651)	53,319	-	18,668
Other income	900,691	-	-	900,691
Total revenue	<u>3,520,232</u>	<u>53,319</u>	<u>-</u>	<u>3,573,551</u>
TOTAL SUPPORT AND REVENUE	<u>122,694,382</u>	<u>(1,458,410)</u>	<u>-</u>	<u>121,235,972</u>
EXPENSES				
PROGRAM SERVICES				
Collection, storage and distribution of food	113,977,070	-	-	113,977,070
Kids in Need	3,718,053	-	-	3,718,053
Advocacy	53,124	-	-	53,124
Total program services	<u>117,748,247</u>	<u>-</u>	<u>-</u>	<u>117,748,247</u>
SUPPORTING SERVICES				
Management and general	4,427,402	-	-	4,427,402
Fundraising	1,675,124	-	-	1,675,124
Total supporting services	<u>6,102,526</u>	<u>-</u>	<u>-</u>	<u>6,102,526</u>
TOTAL EXPENSES	<u>123,850,773</u>	<u>-</u>	<u>-</u>	<u>123,850,773</u>
CHANGES IN NET ASSETS	<u>(1,156,391)</u>	<u>(1,458,410)</u>	<u>-</u>	<u>(2,614,801)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>29,805,366</u>	<u>2,895,656</u>	<u>828,000</u>	<u>33,529,022</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,648,975</u>	<u>\$ 1,437,246</u>	<u>\$ 828,000</u>	<u>\$ 30,914,221</u>

ATLANTA COMMUNITY FOOD BANK, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES – CONTINUED
JUNE 30, 2015

	Food Well Alliance			Eliminating Entries	Consolidated Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
PUBLIC SUPPORT AND REVENUE					
SUPPORT					
Donated product	\$ -	\$ -	\$ -	\$ -	\$ 96,531,691
Federal grants	-	-	-	-	8,611,829
Contributions	1,090,000	-	-	1,090,000	9,434,931
In kind contributions	-	-	-	-	854,179
Special events (net of direct costs of \$564,447)	-	-	-	-	-
Net assets released from restrictions	-	-	-	-	3,319,791
Total support	1,090,000	-	-	1,090,000	118,752,421
REVENUE					
Share contributions and handling fees	-	-	-	-	2,654,192
Net investment income	-	-	-	-	18,668
Other income	546	-	-	546	901,237
Total revenue	546	-	-	546	3,574,097
TOTAL SUPPORT AND REVENUE	1,090,546	-	-	1,090,546	122,326,518
EXPENSES					
PROGRAM SERVICES					
Collection, storage and distribution of food	566,311	-	-	566,311	114,543,381
Kids in Need	-	-	-	-	3,718,053
Advocacy	-	-	-	-	53,124
Total program services	566,311	-	-	566,311	118,314,558
SUPPORTING SERVICES					
Management and general	26,176	-	-	26,176	4,453,578
Fundraising	2,689	-	-	2,689	1,677,813
Total supporting services	28,865	-	-	28,865	6,131,391
TOTAL EXPENSES	595,176	-	-	595,176	124,445,949
CHANGES IN NET ASSETS	495,370	-	-	495,370	(2,119,431)
NET ASSETS AT BEGINNING OF YEAR	-	-	-	-	33,529,022
NET ASSETS AT END OF YEAR	\$ 495,370	\$ -	\$ -	\$ 495,370	\$ 31,409,591