

COMBINED FINANCIAL STATEMENTS

CAPITAL AREA FOOD BANK

**CAPITAL AREA FOOD BANK
FOUNDATION**

**FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2011**

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Capital Area Food Bank
Capital Area Food Bank Foundation
Washington, D.C.

We have audited the accompanying combined statement of financial position of the Capital Area Food Bank (the Food Bank) and the Capital Area Food Bank Foundation (the Foundation), collectively the Organizations, as of June 30, 2012, and the related combined statements of activities and change in net assets, combined functional expenses and combined cash flows for the year then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The prior year summarized comparative information has been derived from the Organizations' 2011 combined financial statements, and in our report dated October 31, 2011, we expressed an unqualified opinion on those combined statements.

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 combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of June 30, 2012, and the combined change in their net assets and their combined cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012, on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gelman Rosenberg & Freedman

October 23, 2012

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**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**COMBINED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

ASSETS

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 5,329,372 | \$ 6,376,169 |
| Restricted cash, current portion (Note 4) | 4,863,729 | 11,891,783 |
| Investments (Notes 2 and 18) | 1,410,841 | 1,353,429 |
| Accounts receivable, net of allowance for doubtful accounts of \$33,009 and \$28,030 for 2012 and 2011, respectively | 336,654 | 284,686 |
| Pledges receivable, current portion (Note 5) | 3,615,025 | 9,685,524 |
| Contributions and other receivables | 452,191 | 351,286 |
| Inventory (Notes 11 and 18) | 1,865,210 | 1,868,458 |
| Prepaid expenses | <u>230,623</u> | <u>90,947</u> |
| Total current assets | <u>18,103,645</u> | <u>31,902,282</u> |
| PROPERTY AND EQUIPMENT | | |
| Land (Notes 3 and 12) | 9,289,775 | 9,289,775 |
| Warehouses and improvements | 5,346,301 | 5,346,301 |
| Warehouse equipment | 482,808 | 609,429 |
| Construction in progress (Note 12) | 20,191,188 | 6,003,907 |
| Computer and office equipment | 1,131,905 | 198,574 |
| Vehicles | <u>501,086</u> | <u>397,309</u> |
| | 36,943,063 | 21,845,295 |
| Less: Accumulated depreciation and amortization | <u>(3,503,441)</u> | <u>(3,569,816)</u> |
| Net property and equipment | <u>33,439,622</u> | <u>18,275,479</u> |
| NONCURRENT ASSETS | | |
| Restricted cash, net of current portion (Note 4) | 802,525 | 804,309 |
| Deposit | 1,220 | - |
| Deferred financing costs | 1,211,826 | 888,009 |
| Pledges receivable, net of current portion (Note 5) | 1,105,130 | 2,068,007 |
| Note receivable (Note 4) | <u>20,833,437</u> | <u>20,833,437</u> |
| Total noncurrent assets | <u>23,954,138</u> | <u>24,593,762</u> |
| TOTAL ASSETS | <u>\$ 75,497,405</u> | <u>\$ 74,771,523</u> |

See accompanying notes to combined financial statements.

LIABILITIES AND NET ASSETS

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------------|-----------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 2,973,200 | \$ 2,163,765 |
| Accrued salaries and related benefits | 121,455 | 241,004 |
| Accrued vacation | 127,296 | 111,703 |
| Interest payable | <u>121,642</u> | <u>121,651</u> |
| | | |
| Total current liabilities | <u>3,343,593</u> | <u>2,638,123</u> |
| LONG-TERM LIABILITIES | | |
| Note payable - DHCD (Notes 3 and 12) | 5,205,000 | 5,205,000 |
| Notes payable - Other (Note 4) | <u>28,800,000</u> | <u>28,800,000</u> |
| | | |
| Total long-term liabilities | <u>34,005,000</u> | <u>34,005,000</u> |
| | | |
| Total liabilities | <u>37,348,593</u> | <u>36,643,123</u> |
| NET ASSETS | | |
| Unrestricted: | | |
| Undesignated | 13,271,219 | 12,958,924 |
| Board designated (Note 15) | <u>395,672</u> | <u>395,672</u> |
| | | |
| Total unrestricted | 13,666,891 | 13,354,596 |
| | | |
| Temporarily restricted (Note 13) | <u>24,481,921</u> | <u>24,773,804</u> |
| | | |
| Total net assets | <u>38,148,812</u> | <u>38,128,400</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 75,497,405</u> | <u>\$ 74,771,523</u> |

See accompanying notes to combined financial statements.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

| | 2012 | | | Temporarily Restricted | 2011 | |
|--|-----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Unrestricted | | Total | | Total | Total |
| | Operations | In-Kind Food | | | | |
| SUPPORT AND REVENUE | | | | | | |
| Contributions and grants | \$ 10,139,182 | \$ - | \$ 10,139,182 | \$ 1,560,338 | \$ 11,699,520 | \$ 14,695,314 |
| In-kind food contributions (Notes 10 and 11) | - | 31,842,205 | 31,842,205 | - | 31,842,205 | 35,021,471 |
| Donated materials and services (Note 7) | 300,613 | - | 300,613 | - | 300,613 | 281,957 |
| Program service fees | 4,458,077 | - | 4,458,077 | - | 4,458,077 | 3,608,141 |
| Interest income (Note 4) | 208,334 | - | 208,334 | - | 208,334 | 7,523 |
| Investment income (Note 2) | 24,615 | - | 24,615 | - | 24,615 | 7,843 |
| Other income | 23,323 | - | 23,323 | - | 23,323 | 14,793 |
| Capital Campaign contributions (Note 5) | - | - | - | 547,223 | 547,223 | 8,265,520 |
| Net assets released from donor restrictions (Note 14) | <u>2,399,444</u> | <u>-</u> | <u>2,399,444</u> | <u>(2,399,444)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>17,553,588</u> | <u>31,842,205</u> | <u>49,395,793</u> | <u>(291,883)</u> | <u>49,103,910</u> | <u>61,902,562</u> |
| EXPENSES | | | | | | |
| Program Services: | | | | | | |
| Collection and distribution of food (Notes 10 and 11) | <u>13,472,397</u> | <u>32,028,468</u> | <u>45,500,865</u> | <u>-</u> | <u>45,500,865</u> | <u>45,344,781</u> |
| Supporting Services: | | | | | | |
| Management and General | 1,439,438 | - | 1,439,438 | - | 1,439,438 | 1,508,157 |
| Fundraising | 1,812,640 | - | 1,812,640 | - | 1,812,640 | 1,362,614 |
| Capital Campaign (Note 19) | <u>330,555</u> | <u>-</u> | <u>330,555</u> | <u>-</u> | <u>330,555</u> | <u>378,658</u> |
| Total supporting services | <u>3,582,633</u> | <u>-</u> | <u>3,582,633</u> | <u>-</u> | <u>3,582,633</u> | <u>3,249,429</u> |
| Total expenses | <u>17,055,030</u> | <u>32,028,468</u> | <u>49,083,498</u> | <u>-</u> | <u>49,083,498</u> | <u>48,594,210</u> |
| Change in net assets | 498,558 | (186,263) | 312,295 | (291,883) | 20,412 | 13,308,352 |
| Net assets at beginning of year | <u>11,882,982</u> | <u>1,471,614</u> | <u>13,354,596</u> | <u>24,773,804</u> | <u>38,128,400</u> | <u>24,820,048</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 12,381,540</u> | <u>\$ 1,285,351</u> | <u>\$ 13,666,891</u> | <u>\$ 24,481,921</u> | <u>\$ 38,148,812</u> | <u>\$ 38,128,400</u> |

See accompanying notes to combined financial statements.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

| | <u>2012</u> | | | | <u>2011</u> | |
|--|-----------------------------|-----------------------------------|---------------------|---|---------------------------|---------------------------|
| | <u>Supporting Services</u> | | | <u>Capital Campaign (Note 19)</u> | <u>Total Expenses</u> | <u>Total Expenses</u> |
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | | | |
| Salaries and related benefits (Note 16) | \$ 4,558,221 | \$ 848,215 | \$ 711,487 | \$ 75,285 | \$ 6,193,208 | \$ 5,450,083 |
| Printing | 29,397 | 1,761 | 10,228 | - | 41,386 | 32,800 |
| Professional fees | 114,501 | 64,386 | 3,600 | 19,308 | 201,795 | 425,327 |
| Insurance | 120,068 | 81,798 | - | 17,847 | 219,713 | 234,232 |
| Depreciation and amortization | 94,427 | 21,869 | - | - | 116,296 | 187,976 |
| Telephone | 35,160 | 10,884 | 2,268 | - | 48,312 | 45,924 |
| Travel | 12,710 | 1,886 | 2,232 | - | 16,828 | 22,543 |
| Postage and shipping | 35,441 | 3,907 | 19,060 | 380 | 58,788 | 42,823 |
| Rental expense and maintenance | 726,994 | 43,169 | 37,841 | 8,555 | 816,559 | 627,698 |
| Supplies | 179,161 | 15,758 | 4,805 | 5,169 | 204,893 | 187,096 |
| Dues and subscriptions | 34,527 | 16,028 | 19,713 | 500 | 70,768 | 51,133 |
| Conferences and meetings | 26,678 | 9,266 | 78,261 | 640 | 114,845 | 65,010 |
| Advertising and promotion | 268,367 | 5,620 | 16,037 | 170,258 | 460,282 | 294,468 |
| Bank fees | 144 | - | - | - | 144 | - |
| Interest expense | - | - | - | - | - | 28,358 |
| Donated materials and services (Note 7) | 19,146 | 174,795 | 400 | - | 194,341 | 281,957 |
| In-kind food contributions (Note 10) | 32,028,468 | - | - | - | 32,028,468 | 35,119,244 |
| Cost of purchased food distributed | 4,294,009 | - | 2 | - | 4,294,011 | 2,384,273 |
| Freight | 338,646 | 11,100 | - | - | 349,746 | 150,267 |
| Direct mail and fundraising | - | - | 806,074 | - | 806,074 | 777,670 |
| Utilities | 210,482 | 15,873 | (530) | 18,409 | 244,234 | 173,086 |
| Other | - | - | - | - | - | - |
| Licenses and fees | 1,529 | 1,830 | (30) | 30 | 3,359 | 8,608 |
| Miscellaneous | 38,313 | 107,389 | 33,760 | 14,174 | 193,636 | 188,318 |
| Other provided services | 1,597,357 | 3,904 | 67,432 | - | 1,668,693 | 926,593 |
| Value added processing of donated food | 737,119 | - | - | - | 737,119 | 888,723 |
| TOTAL | \$ 45,500,865 | \$ 1,439,438 | \$ 1,812,640 | \$ 330,555 | \$ 49,083,498 | \$ 48,594,210 |

See accompanying notes to combined financial statements.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

| | <u>2012</u> | <u>2011</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 20,412 | \$ 13,308,352 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 116,296 | 187,976 |
| Unrealized gain on investments | (12,616) | (1,808) |
| Realized gain on sales of investments | (7,092) | - |
| In-kind stock donations | (35,053) | (48,946) |
| In-kind contribution revenue | (31,842,205) | (35,248,519) |
| In-kind contribution expenses | 32,028,468 | 35,400,201 |
| Gain in valuation of donated inventory | - | (54,909) |
| Change in allowance for doubtful accounts | 4,979 | 8,064 |
| Gain on disposal of property and equipment | (250) | - |
| (Increase) decrease in: | | |
| Accounts receivable | (56,947) | (53,062) |
| Pledges receivable | 7,033,376 | (9,085,047) |
| Contributions and other receivables | (100,905) | 233,662 |
| Inventory | (183,019) | (13,122) |
| Prepaid expenses | (139,676) | (29,701) |
| Deposit | (1,220) | 7,533 |
| Deferred financing costs | (323,817) | (888,009) |
| Increase (decrease) in: | | |
| Accounts payable | 809,435 | 1,907,370 |
| Accrued salaries and related benefits | (119,549) | 25,872 |
| Accrued vacation | 15,593 | 13,400 |
| Interest payable | (5) | 121,651 |
| Net cash provided by operating activities | <u>7,206,205</u> | <u>5,790,958</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of land | - | (170,000) |
| Purchase of property and equipment | (1,092,908) | (127,827) |
| Purchase of investments | (36,000) | (1,002,249) |
| Proceeds from sales of investments | 33,349 | 1,996,652 |
| Construction in progress | <u>(14,187,281)</u> | <u>(3,813,699)</u> |
| Net cash used by investing activities | <u>(15,282,840)</u> | <u>(3,117,123)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from notes payable - Other | - | 28,800,000 |
| Payments for note receivable | <u>-</u> | <u>(20,833,437)</u> |
| Net cash provided by financing activities | <u>-</u> | <u>7,966,563</u> |

See accompanying notes to combined financial statements.

CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

| | <u>2012</u> | <u>2011</u> |
|--|------------------------------|-----------------------------|
| Net (decrease) increase in cash and cash equivalents | \$ (8,076,635) | \$ 10,640,398 |
| Cash and cash equivalents at beginning of year | <u>19,072,261</u> | <u>8,431,863</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR, INCLUDING RESTRICTED CASH | <u>\$ 10,995,626</u> | <u>\$ 19,072,261</u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest Paid | <u>\$ 208,541</u> | <u>\$ 28,358</u> |

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Capital Area Food Bank (the Food Bank) is a non-profit organization, organized under the laws of the District of Columbia. The Food Bank operates two warehouses that collect, inspect, clean, process, sort and distribute food to approximately 700 local non-profit feeding programs throughout the Metropolitan Washington, D.C. area, which include shelters, low-income day care centers, soup kitchens and emergency food programs. In addition to collecting and distributing food, the Food Bank is active in implementing education programs, sustainable agriculture/food security programs and community advocacy/outreach programs addressing the underlying causes of hunger.

The Capital Area Food Bank Foundation (the Foundation) is a nonprofit entity organized under the laws of the District of Columbia. Incorporated on April 29, 2010, the Foundation was organized solely to support the charitable purposes, mission, goals and activities of the Food Bank, the Foundation's sole member. As such, the Foundation's activities include raising funds, including capital and endowment funds, and managing and investing such funds for the benefit of its supported organization, the Food Bank. The Foundation is governed by a Board of Directors and officers appointed by the Board of Directors of the Food Bank.

The accompanying financial statements reflect the activity of the Food Bank and the Foundation (collectively, the Organizations). The financial statements of the two organizations have been combined because they are under common control. All intercompany transactions have been eliminated during combination.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' combined financial statements for the year ended June 30, 2011, from which the summarized combined information was derived.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. At times during the year, the Organizations maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Combined Statement of Activities and Change in Net Assets.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Pledges, accounts receivable and note receivable -

Pledges, accounts receivable and note receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor/customer.

Inventory -

Inventory consists of purchased and donated goods. Purchased goods are valued at cost on a first in, first out basis. Donated goods are valued using Feeding America's (a national food bank network non-profit corporation) Independent Accountants' Report of the estimated weighted average wholesale value of such goods.

The Organizations utilize Feeding America's calendar year 2011 and 2010 estimates as the basis for calculating the value of their donated inventory on hand as of June 30, 2012 and 2011, as reported in the Combined Statement of Financial Position, as a June 30th valuation is not conducted by Feeding America. At June 30, 2012 and 2011, the inventory balance was calculated using the calendar year 2011 and 2010 estimates of \$1.66 per pound.

The Organizations utilize Feeding America's calendar year 2011 and 2010 estimates as the basis for calculating the value of its donated goods received and disbursed during fiscal years ending June 30, 2012 and 2011, as reported in the Combined Statement of Activities and Change in Net Assets, as a June 30th valuation is not conducted by Feeding America. During the years ended June 30, 2012 and 2011, the donated goods received and disbursed were calculated using the calendar year 2011 and 2010 estimates of \$1.66 per pound.

Deferred financing costs -

Deferred financing costs associated with the New Market Tax Credit transactions are recorded as noncurrent assets and will be amortized over the life of the Organizations' new facility, upon construction completion of construction and occupancy.

Property and equipment -

Warehouses and improvements are recorded at cost (or in the case of donated property, estimated value at the date of receipt) and are amortized over the estimated lives of the warehouses, ranging from twenty to thirty-nine years. Construction in progress is recorded at cost and will be depreciated over the life of the Organizations' new facility, upon completion of construction and occupancy.

Equipment and vehicles are stated at cost and are depreciated on a straight-line basis over their related estimated useful lives, generally five to ten years. Maintenance, repairs and renewals that neither materially add value to existing property (nor prolong its life) are expensed as incurred. The Organizations capitalize all purchases with acquisition values of \$1,500 and greater.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Income taxes -

The Food Bank is recognized by the Internal Revenue Service as an exempt organization pursuant to Internal Revenue Code (Code) Section 501(c)(3) and a publicly supported charity organization pursuant to Code Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. The Food Bank is not a private foundation.

The Foundation is recognized by the Internal Revenue Service as an exempt organization pursuant to Internal Revenue Code (Code) Section 501(c)(3) and a Type 1 supporting organization public charity pursuant to Code Section 509(a)(3). Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended June 30, 2012 and 2011, the Organizations have documented their consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations. As of June 30, 2012 and 2011, there were no permanently restricted net assets.

Contributions, grants and pledges -

Contributions, grants and pledges are recorded as revenue in the year notification is received from the donor.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributions, grants and pledges (continued) -

Contributions, grants and pledges are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions, grants and pledges received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurements -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organizations account for a significant portion of their financial instruments at fair value or consider fair value in their measurement.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

2. INVESTMENTS

Investments at June 30, 2012 and 2011 consisted of the following:

| | <u>2012</u> | | <u>2011</u> | |
|--------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> |
| Money market funds | \$1,136,909 | \$1,136,909 | \$1,098,893 | \$1,098,893 |
| Bonds | <u>229,848</u> | <u>273,932</u> | <u>229,848</u> | <u>254,536</u> |
| TOTAL INVESTMENTS | <u>\$1,366,757</u> | <u>\$1,410,841</u> | <u>\$1,328,741</u> | <u>\$1,353,429</u> |

Included in investment income are the following:

| | <u>2012</u> | <u>2011</u> |
|--------------------------------|-------------------------|------------------------|
| Interest and dividends | \$ 4,907 | \$ 6,035 |
| Unrealized gain | 12,616 | 1,808 |
| Realized gain | <u>7,092</u> | <u>-</u> |
| TOTAL INVESTMENT INCOME | <u>\$ 24,615</u> | <u>\$ 7,843</u> |

3. NOTE PAYABLE - DHCD

Note payable at June 30, 2012 and 2011 consisted of the following:

| | <u>2012</u> | <u>2011</u> |
|--|---------------------------|---------------------------|
| Long-Term Mortgage Note Payable to the Department of Housing and Community Development (DHCD), Secured by 4900 Puerto Rico Avenue, N.E., Non-Interest Bearing | <u>\$5,205,000</u> | <u>\$5,205,000</u> |

On July 18, 2005, DHCD provided \$7,705,000 of financing in connection with the acquisition of the property located at 4900 Puerto Rico Avenue, N.E. Under the terms of the agreement with DHCD, \$2,500,000 was forgiven during the year ended June 30, 2007, through the distribution of food products to D.C. member agencies. The remaining balance of \$5,205,000 is considered a 40-year deferred loan and is repayable only if the property is sold, the Food Bank moves away from the District of Columbia, or if the Food Bank ceases to fulfill its principal mission.

4. NEW MARKET TAX CREDIT TRANSACTIONS

In November 2010, the Food Bank entered into a financial arrangement to help fund the cost of a new warehouse and office facility through the use of the New Market Tax Credit (NMTTC) program. Under this arrangement, the Food Bank received a loan of \$19,200,000 from City First Capital 25 LLC and two loans totaling \$9,600,000 from Enhanced Capital New Market Development Fund VIII LLC. The note payable to City First Capital requires payment of interest only at .7241% per annum until December 1, 2017. Thereafter, annual payments of \$909,237, plus interest at .7241% per annum are due until December 1, 2040.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

4. NEW MARKET TAX CREDIT TRANSACTIONS (Continued)

The notes payable to Enhanced Capital require payments of interest only at .7241% per annum until December 1, 2017. Thereafter, annual payments of \$454,618, with interest at .7241% per annum are due until December 1, 2040.

The Food Bank formed the Foundation as a supporting organization and made a \$20,861,591 contribution to the Foundation. In conjunction with the financing arrangements, the Foundation provided a loan of \$20,833,437 to the Food Bank NMTC Investment Trust LLC (an unaffiliated investment structure). The loan is evidenced by a promissory note from the Investment Trust LLC, carrying an interest rate of 1% per annum, payable annually starting on December 10, 2010, providing for amortization of the principal from December 10, 2017 to the maturity date of December 10, 2034, with the first principal payment being due on December 10, 2018, and secured by the interests of the Investment Trust LLC in the two lenders of the Food Bank mentioned in the first paragraph of this note.

In December 2017, the bank that owns the investment structure may put its interest in the investment structure to the Foundation for a put price of \$1,000. If the bank does not exercise its put right, the Foundation may call the bank's interest in the investment structure for a call price equal to the fair value of the investment. Exercise of the put or the call will provide the Foundation with ownership of the investment structure.

At June 30, 2012, the Organizations had \$5,666,254 in cash restricted for various uses, in particular, the construction of the new distribution facility and debt service of notes payable.

5. PLEDGES RECEIVABLE

Pledges receivable reflect Capital Campaign (and other general operating time-restricted) commitments made to the Organizations by individuals and foundations. Pledges for which payments are to be received in future years have been discounted to their present value using an interest rate effective on the original date of award. The effect of the present value discount resulted in a decrease in pledges receivable of \$45,070 and \$112,293 as of June 30, 2012 and 2011, respectively.

The following is a summary of the discounted pledges receivable, by year, as of June 30, 2012 and 2011:

| <u>Year Ending June 30,</u> | <u>2012</u> | <u>2011</u> |
|--|----------------------------|----------------------------|
| 2012 | \$ - | \$ 9,685,524 |
| 2013 | 3,615,025 | 1,030,100 |
| 2014 | 1,030,100 | 1,030,100 |
| 2015 | 30,100 | 30,100 |
| 2016 | 30,000 | 90,000 |
| 2017 | 30,000 | - |
| 2018 and Thereafter | <u>30,000</u> | <u>-</u> |
| | 4,765,225 | 11,865,824 |
| Less: Current maturities | (3,615,025) | (9,685,524) |
| Less: Discount | <u>(45,070)</u> | <u>(112,293)</u> |
| TOTAL NONCURRENT PLEDGES RECEIVABLE | <u>\$ 1,105,130</u> | <u>\$ 2,068,007</u> |

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

6. LEASE COMMITMENTS

The Organizations lease various office equipment and warehouse vehicles under non-cancelable operating leases.

7. DONATED MATERIALS AND SERVICES

Donated services are recognized as contributions at their estimated value when they require a specialized skill, are provided by those with that specialized skill, and otherwise would have been purchased if they were not donated. Contributions of tangible assets are recognized at fair value when received. At the time a contribution is received and properly valued, the Organizations record an expense and an offsetting revenue transaction in their combined financial statements.

The following is a summary of donated materials and services, as reflected in both revenue and expenses (or fixed assets), at June 30, 2012 and 2011:

| | 2012 | 2011 |
|---|-------------------|-------------------|
| Program Services | \$ 19,146 | \$ 111,014 |
| Management and General | 174,795 | 170,943 |
| Donated vehicle | 106,272 | - |
| Fundraising | 400 | - |
| TOTAL DONATED MATERIALS AND SERVICES | \$ 300,613 | \$ 281,957 |

8. RELATED PARTIES

Included among the Organizations' Board of Directors are volunteers from the Washington, D.C. metropolitan community, who provide valuable assistance to the Organizations in the development of policies and programs. Four members of the two Boards work for agencies, which have contributed to the support of the Organizations, or receive food distributions from the Organizations. One member of the Board is a partner at a worldwide law firm that serves as the Organizations' general legal counsel on a pro-bono basis and that served as the Organizations' paid legal counsel on the New Market Tax Credit financing transactions.

9. OTHER PROGRAMS

In addition to the food distributed directly by the Organizations to its member agencies and other food banks (see Note 10), an additional 5,628,696 pounds and 4,384,817 pounds of food were distributed through the Organizations' Sister Hook-Up Program during the years ending June 30, 2012 and 2011, respectively. The Sister Hook-Up Program facilitates the distribution of perishable food products directly to the Organizations' agencies. These agencies are eligible to receive the direct distribution of the perishable foods from the supermarkets through their membership and active status in good standing with the Organizations. The value of these food contributions is not included in the Organizations' combined financial statements.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

10. IN-KIND FOOD CONTRIBUTIONS

The Organizations received 19,182,051 pounds and 21,854,101 pounds of donated food during the fiscal years ended June 30, 2012 and 2011, respectively. Accordingly, the value of the contributed food received by the Organizations during the fiscal years ended June 30, 2012 and 2011 totaled \$31,842,205 and \$34,966,562, respectively. The value of the donated food received has been recorded as in-kind food contributions revenue in the accompanying Combined Statement of Activities and Change in Net Assets during the years ended June 30, 2012 and 2011 as \$31,842,205 and \$35,021,471, respectively, which is stated net of the non-cash valuation gain of \$54,909 for the year ended June 30, 2011. There was no non-cash valuation gain for the year ended June 30, 2012. (see Note 11).

The Organizations distributed 27,533,137 pounds of food during the fiscal year ended June 30, 2012, of which 19,294,258 pounds, totaling \$32,028,468, had been donated. The Organizations distributed 24,975,320 pounds of food during the fiscal year ended June 30, 2011, of which 21,948,902 pounds, totaling \$35,118,244, had been donated.

During the years ended June 30, 2012 and 2011, less than 1% of the total food received was not distributed because the products were either unusable or spoiled. The value of the donated food distributed has been recorded as in-kind food contributions expense in the accompanying Combined Statement of Activities and Change in Net Assets and Combined Statement of Functional Expenses during the years ended June 30, 2012 and 2011, as \$32,028,468 and \$35,118,244, respectively.

Included in the above, during the year ended June 30, 2012, the Organizations supported the cost of collection and distribution of 1,365,699 pounds of fresh produce within the Organizations' service area through the Mid-Atlantic Gleaning Network.

11. INVENTORY

Food donated to the Organizations is capitalized as inventory and recorded as an unrestricted in-kind contribution. Upon distribution, the food is recorded as an in-kind contribution expense. The inventory is valued at \$1.66 per pound at June 30, 2012 and 2011, as determined by Feeding America.

There was no increase in food value per pound from 2011 to 2012. The increase in food value per pound of \$1.66 from 2010 to 2011 resulted in a non-cash valuation gain of \$54,909 during the year ended June 30, 2011.

The donated food inventory values are summarized as follows:

| | Pounds | Dollar Value | Total |
|----------------------------|----------------|---------------------|---------------------|
| As of June 30, 2012 | 594,446 | \$ 1.66 | \$ 986,780 |
| As of June 30, 2011 | 915,148 | \$ 1.66 | \$ 1,519,145 |

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

11. INVENTORY (Continued)

In addition to donated food, the Organizations also maintain an inventory of purchased food as follows:

| | Pounds | Total |
|----------------------------|----------------|-------------------|
| As of June 30, 2012 | 529,175 | \$ 878,430 |
| As of June 30, 2011 | 204,859 | \$ 349,313 |

The Organizations purchased 8,354,700 pounds and 2,888,435 pounds of food during the fiscal years ended June 30, 2012 and 2011, respectively. The Organizations distributed 8,030,384 pounds of purchased food (totaling \$4,263,050) and 3,026,417 pounds of purchased food (totaling \$2,383,548) during the fiscal years ended June 30, 2012 and 2011, respectively.

12. PURCHASE OF LAND, BUILDING AND FUTURE COMMITMENTS

On July 18, 2005, the Food Bank purchased an existing building at 4900 Puerto Rico Avenue, N.E., Washington, D.C. The total contract price of the land and building was \$10,350,000, with the land valued at \$8,098,875 and the building at \$2,251,125. On July 18, 2005, the Department of Housing and Community Development (DHCD) provided \$7,705,000 of financing in connection with the acquisition of the property. Under the terms of the agreement with DHCD, \$2,500,000 was forgiven during the year ended June 30, 2007 through the distribution of food products to D.C. member agencies. The remaining balance of \$5,205,000 is considered a 40-year deferred loan and is repayable only if the property is sold, the Food Bank moves away from the District of Columbia, or if it ceases to fulfill its principal mission.

In November 2010, the Food Bank entered into a construction contract with Turner Construction Company for the construction of the Food Bank's new distribution facility at the property mentioned above. The contract provides for a guaranteed maximum price of \$17,362,139 for construction costs. Construction commenced on April 2011 was substantially completed in July 2012, as discussed in Note 20.

The acquisition and renovation costs have been funded with the proceeds from the Capital Campaign and the New Market Tax Credit transactions that are discussed in Note 4.

13. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2012 and 2011, temporarily restricted net assets consisted of the following:

| | 2012 | 2011 |
|-------------------------------|----------------------|----------------------|
| Agency Relations/FEMA | \$ 238,921 | \$ 340,681 |
| Nutrition Education/Kids Cafe | 2,000 | 206,771 |
| Fresh Produce | 10,057 | - |
| Capital Campaign | 24,147,444 | 18,810,144 |
| Restricted for time | 83,499 | 5,416,208 |
| | \$ 24,481,921 | \$ 24,773,804 |

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

13. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The Capital Campaign temporarily restricted net assets balance of \$24,147,444 and \$18,810,144 at June 30, 2012 and 2011, respectively, includes \$20,191,188 and \$6,003,907, respectively, of renovation costs incurred in connection with the renovation of the warehouse located at 4900 Puerto Rico Avenue, N.E., Washington, D.C. The amortization of these renovation costs will occur when the warehouse is placed into service; therefore, the restricted Capital Campaign net assets will be released into unrestricted revenue in conjunction with the same amortization period (based on the estimated service life of the warehouse).

14. NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of net assets, which were released from donor restrictions by incurring expenses in accordance with donor stipulations or through the passage of time.

| | 2012 | 2011 |
|-------------------------------|---------------------|---------------------|
| Agency Relations/FEMA | \$ 312,074 | \$ 313,871 |
| Nutrition Education/Kids Cafe | 280,733 | 389,257 |
| Warehouse | 30,958 | 40,000 |
| Fresh Produce | 1,000,000 | - |
| Integrated | 290,520 | 84,480 |
| Capital Campaign | 330,555 | 378,658 |
| Volunteer | 2,500 | - |
| Keep Virginia Beautiful | 1,000 | - |
| Harvest for Health | 32,164 | 27,186 |
| Food Resources | - | 22,000 |
| Passage of time | 118,940 | 114,092 |
| | \$ 2,399,444 | \$ 1,369,544 |

15. BOARD DESIGNATED NET ASSETS

As of June 30, 2012 and 2011, the Board designated net assets balance for capital improvements totaled \$395,672.

16. PENSION PLANS

The Organizations offer a Simplified Employee Pension (SEP) plan to full-time employees who have completed one full year of service. The Organizations contribute 10% of an employee's salary with a maximum of \$30,000 per year. Pension expense totaled \$351,965 and \$295,817 during the fiscal years ended June 30, 2012 and 2011, respectively. The Organizations also administer a 403(b) tax-deferred annuity plan on behalf of their employees. Employee contributions are permitted up to the limit established by the 403(b) IRS regulations. There were no employer contributions made during the fiscal years ended June 30, 2012 and 2011, respectively.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

17. CONTINGENCY

The Organizations receive grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2012.

Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

18. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2012.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Bonds* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of June 30, 2012:

| Asset Category: | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------|----------------------------|-----------------------|----------------------------|----------------------------|
| Money Market Funds and Bonds | \$ 1,410,841 | \$ - | \$ - | \$ 1,410,841 |
| Inventory | <u>-</u> | <u>-</u> | <u>1,865,210</u> | <u>1,865,210</u> |
| TOTAL | <u>\$ 1,410,841</u> | <u>\$ -</u> | <u>\$ 1,865,210</u> | <u>\$ 3,276,051</u> |

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

18. FAIR VALUE MEASUREMENTS (Continued)

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Organizations' inventory classified as Level 3 for the year ended June 30, 2012:

| | <u>Inventory</u> |
|---------------------------------------|----------------------------|
| Beginning balance as of June 30, 2011 | \$ 1,868,458 |
| Purchases of inventory | 4,294,009 |
| Receipt of donated inventory | 31,842,205 |
| Sales and distributions of inventory | <u>36,139,462)</u> |
| BALANCE AS OF JUNE 30, 2012 | <u>\$ 1,865,210</u> |

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of June 30, 2011:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|------------------------------|----------------------------|--------------------|----------------------------|----------------------------|
| Asset Category: | | | | |
| Money Market Funds and Bonds | \$ 1,353,429 | \$ - | \$ - | \$ 1,353,429 |
| Inventory | <u>-</u> | <u>-</u> | <u>1,868,458</u> | <u>1,868,458</u> |
| TOTAL | <u>\$ 1,353,429</u> | <u>\$ -</u> | <u>\$ 1,868,458</u> | <u>\$ 3,221,887</u> |

Level 3 Financial Assets

The following table provides a summary of changes in fair value of the Organizations' inventory classified as Level 3 for the year ended June 30, 2011:

| | <u>Inventory</u> |
|--|----------------------------|
| Beginning balance as of June 30, 2010 | \$ 1,952,109 |
| Increase in valuation of donated inventory | 54,909 |
| Purchases of inventory | 2,385,273 |
| Receipt of donated inventory | 34,966,562 |
| Sales and distributions of inventory | <u>37,490,395)</u> |
| BALANCE AS OF JUNE 30, 2011 | <u>\$ 1,868,458</u> |

19. CAPITAL CAMPAIGN EXPENSES

During the years ended June 30, 2012 and 2011, the Organizations incurred \$330,555 and \$378,658, respectively, of expenses in conjunction with the Capital Campaign.

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012**

20. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through October 23, 2012, the date the combined financial statements were issued.

On August 1, 2012, the Organizations began to occupy the new facility on a temporary Certificate of Occupancy, which was made final on September 7, 2012. The cost of construction and related expenses during the construction of the new facility amounted to \$31,454,735, in addition to the acquisition cost of the property as discussed in Note 12.

The Organizations entered into an agreement to sell the property at 645 Taylor Street, NE Washington D.C. The agreed upon selling price is greater than the property's carrying value included in the Statement of Financial Position. A non-refundable deposit of \$250,000 has been paid by the buyer into escrow. The agreement calls for settlement on November 8, 2012.



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL
FINANCIAL INFORMATION**

To the Board of Directors
Capital Area Food Bank
Capital Area Food Bank Foundation
Washington, D.C.

We have audited the combined financial statements of the Capital Area Food Bank (the Food Bank) and the Capital Area Food Bank Foundation (the Foundation), collectively the Organizations, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 23, 2012, which contained an unqualified opinion on those combined financial statements. Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying Combining Schedule of Financial Position, Combining Schedule of Activities and Combining Schedule of Change in Net Assets are presented for purposes of additional analysis and are not a required part of the basic combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Gelman Rosenberg & Freedman

October 23, 2012

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**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2012**

| | ASSETS | | | |
|--|-----------------------------------|--|---------------------|-----------------------------|
| | <u>Capital Area Food Bank</u> | <u>Capital Area Food Bank Foundation</u> | <u>Eliminations</u> | <u>Total</u> |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 5,112,864 | \$ 216,508 | \$ - | \$ 5,329,372 |
| Restricted cash, current portion | 4,863,729 | - | - | 4,863,729 |
| Investments | 1,410,841 | - | - | 1,410,841 |
| Accounts receivable, net of allowance for doubtful accounts of \$33,009 for 2012 | 336,654 | - | - | 336,654 |
| Pledges receivable, current portion | 3,615,025 | - | - | 3,615,025 |
| Contributions and other receivables | 452,191 | - | - | 452,191 |
| Inventory | 1,865,210 | - | - | 1,865,210 |
| Prepaid expenses | <u>230,623</u> | <u>-</u> | <u>-</u> | <u>230,623</u> |
| Total current assets | <u>17,887,137</u> | <u>216,508</u> | <u>-</u> | <u>18,103,645</u> |
| PROPERTY AND EQUIPMENT | | | | |
| Land | 9,289,775 | - | - | 9,289,775 |
| Warehouse and improvements | 5,346,301 | - | - | 5,346,301 |
| Warehouse equipment | 482,808 | - | - | 482,808 |
| Construction in progress | 20,191,188 | - | - | 20,191,188 |
| Computer and office equipment | 1,131,905 | - | - | 1,131,905 |
| Vehicles | <u>501,086</u> | <u>-</u> | <u>-</u> | <u>501,086</u> |
| | 36,943,063 | - | - | 36,943,063 |
| Less: Accumulated depreciation and amortization | <u>(3,503,441)</u> | <u>-</u> | <u>-</u> | <u>(3,503,441)</u> |
| Net property and equipment | <u>33,439,622</u> | <u>-</u> | <u>-</u> | <u>33,439,622</u> |
| NONCURRENT ASSETS | | | | |
| Restricted cash, net of current portion | 802,525 | - | - | 802,525 |
| Deposits | 1,220 | - | - | 1,220 |
| Deferred financing costs | 1,211,826 | - | - | 1,211,826 |
| Pledges receivable, net of current portion | 1,105,130 | - | - | 1,105,130 |
| Note receivable | <u>-</u> | <u>20,833,437</u> | <u>-</u> | <u>20,833,437</u> |
| Total noncurrent assets | <u>3,120,701</u> | <u>20,833,437</u> | <u>-</u> | <u>23,954,138</u> |
| TOTAL ASSETS | <u>\$ 54,447,460</u> | <u>\$ 21,049,945</u> | <u>\$ -</u> | <u>\$ 75,497,405</u> |

LIABILITIES AND NET ASSETS

| | <u>Capital Area Food Bank</u> | <u>Capital Area Food Bank Foundation</u> | <u>Eliminations</u> | <u>Total</u> |
|---|-----------------------------------|--|---------------------|----------------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 2,973,200 | \$ - | \$ - | \$ 2,973,200 |
| Accrued salaries and related benefits | 121,455 | - | - | 121,455 |
| Accrued vacation | 127,296 | - | - | 127,296 |
| Interest payable | <u>121,642</u> | <u>-</u> | <u>-</u> | <u>121,642</u> |
| | | | | |
| Total current liabilities | <u>3,343,593</u> | <u>-</u> | <u>-</u> | <u>3,343,593</u> |
| LONG-TERM LIABILITIES | | | | |
| Note payable - DHCD | 5,205,000 | - | - | 5,205,000 |
| Notes payable - Other | <u>28,800,000</u> | <u>-</u> | <u>-</u> | <u>28,800,000</u> |
| | | | | |
| Total long-term liabilities | <u>34,005,000</u> | <u>-</u> | <u>-</u> | <u>34,005,000</u> |
| | | | | |
| Total liabilities | <u>37,348,593</u> | <u>-</u> | <u>-</u> | <u>37,348,593</u> |
| NET ASSETS | | | | |
| Unrestricted: | | | | |
| Undesignated | (7,778,726) | 21,049,945 | - | 13,271,219 |
| Board designated | <u>395,672</u> | <u>-</u> | <u>-</u> | <u>395,672</u> |
| | | | | |
| Total unrestricted | (7,383,054) | 21,049,945 | - | 13,666,891 |
| | | | | |
| Temporarily restricted | <u>24,481,921</u> | <u>-</u> | <u>-</u> | <u>24,481,921</u> |
| | | | | |
| Total net assets | <u>17,098,867</u> | <u>21,049,945</u> | <u>-</u> | <u>38,148,812</u> |
| | | | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 54,447,460</u> | <u>\$ 21,049,945</u> | <u>\$ -</u> | <u>\$ 75,497,405</u> |

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| | Capital Area Food Bank | Capital Area Food Bank Foundation | Eliminations | Total |
|---|-----------------------------------|--|---------------------|-------------------------|
| UNRESTRICTED SUPPORT AND REVENUE | | | | |
| Contributions and grants | \$ 10,139,182 | \$ - | \$ - | \$ 10,139,182 |
| In-kind food contributions | 31,842,205 | - | - | 31,842,205 |
| Donated materials and services | 300,613 | - | - | 300,613 |
| Program service fees | 4,458,077 | - | - | 4,458,077 |
| Interest income | - | 208,334 | - | 208,334 |
| Investment income | 24,615 | - | - | 24,615 |
| Other income | 23,323 | - | - | 23,323 |
| Other revenue | - | 1,000 | (1,000) | - |
| Net assets released from donor restrictions | <u>2,399,444</u> | <u>-</u> | <u>-</u> | <u>2,399,444</u> |
| Total unrestricted support and revenue | <u>49,187,459</u> | <u>209,334</u> | <u>(1,000)</u> | <u>49,395,793</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| Collection and distribution of food | <u>45,500,721</u> | <u>144</u> | <u>-</u> | <u>45,500,865</u> |
| Supporting Services: | | | | |
| Management and General | 1,439,438 | - | - | 1,439,438 |
| Fundraising | 1,812,640 | - | - | 1,812,640 |
| Capital Campaign | <u>330,555</u> | <u>-</u> | <u>-</u> | <u>330,555</u> |
| Total supporting services | <u>3,582,633</u> | <u>-</u> | <u>-</u> | <u>3,582,633</u> |
| Total expenses | <u>49,083,354</u> | <u>144</u> | <u>-</u> | <u>49,083,498</u> |
| Change in unrestricted net assets before other item | 104,105 | 209,190 | (1,000) | 312,295 |
| OTHER ITEM | | | | |
| Contribution to the Foundation | <u>(1,000)</u> | <u>-</u> | <u>1,000</u> | <u>-</u> |
| Change in unrestricted net assets | <u>103,105</u> | <u>209,190</u> | <u>(2,000)</u> | <u>310,295</u> |
| TEMPORARILY RESTRICTED SUPPORT AND REVENUE | | | | |
| Contributions and grants | 1,560,338 | - | - | 1,560,338 |
| Capital Campaign contributions | 547,223 | - | - | 547,223 |
| Net assets released from donor restrictions | <u>(2,399,444)</u> | <u>-</u> | <u>-</u> | <u>(2,399,444)</u> |
| Change in temporarily restricted net assets | <u>(291,883)</u> | <u>-</u> | <u>-</u> | <u>(291,883)</u> |
| CHANGE IN NET ASSETS | <u>\$ (188,778)</u> | <u>\$ 209,190</u> | <u>\$ -</u> | <u>\$ 20,412</u> |

**CAPITAL AREA FOOD BANK
CAPITAL AREA FOOD BANK FOUNDATION**

**COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>Capital Area Food Bank</u> | <u>Capital Area Food Bank Foundation</u> | <u>Eliminations</u> | <u>Total</u> |
|---|-----------------------------------|--|--------------------------|-----------------------------|
| UNRESTRICTED NET ASSETS | | | | |
| Net assets at beginning of year | \$ (7,486,159) | \$ 20,840,755 | \$ - | \$ 13,354,596 |
| Change in unrestricted net assets | <u>103,105</u> | <u>209,190</u> | <u>(2,000)</u> | <u>310,295</u> |
| NET ASSETS AT END OF YEAR | <u>\$ (7,383,054)</u> | <u>\$ 21,049,945</u> | <u>\$ (2,000)</u> | <u>\$ 13,664,891</u> |
| TEMPORARILY RESTRICTED NET ASSETS | | | | |
| Net assets at beginning of year | \$ 24,773,804 | \$ - | \$ - | \$ 24,773,804 |
| Change in temporarily restricted net assets | <u>(291,883)</u> | <u>-</u> | <u>-</u> | <u>(291,883)</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 24,481,921</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 24,481,921</u> |