

ATLANTA COMMUNITY FOOD BANK, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

**with
Independent Auditors' Report**

ATLANTA COMMUNITY FOOD BANK, INC.

TABLE OF CONTENTS

June 30, 2012

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Atlanta Community Food Bank, Inc. (a nonprofit organization) as of June 30, 2012 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2011 financial statements, and in our report dated October 31, 2011 we expressed an unqualified opinion on those financial 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Atlanta Community Food Bank, Inc. as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	ASSETS	
	2012	2011
Current Assets		
Cash and cash equivalents	\$ 4,587,351	\$ 3,468,451
Accounts receivable		
Share contributions and handling fees	141,349	143,932
Grants	1,113,637	876,511
Pledges	575,253	501,485
Other	37,304	22,915
Inventory – donated	4,760,570	7,271,633
Inventory – purchased	283,382	85,907
Prepaid expenses	153,290	114,589
TOTAL CURRENT ASSETS	11,652,136	12,485,423
Property and Equipment		
Land	1,285,000	1,285,000
Buildings and improvements	9,099,158	8,975,966
Furniture and equipment	3,206,107	3,047,764
Vehicles	1,359,476	1,223,943
Total property and equipment	14,949,741	14,532,673
Less accumulated depreciation	(5,250,834)	(4,763,258)
	9,698,907	9,769,415
Projects in progress	182,126	3,416
PROPERTY AND EQUIPMENT, NET	9,881,033	9,772,831
Other Assets		
Investments	9,618,538	9,475,313
TOTAL OTHER ASSETS	9,618,538	9,475,313
TOTAL ASSETS	\$ 31,151,707	\$ 31,733,567

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION—Continued

June 30, 2012 and 2011

	2012	2011
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 769,163	\$ 781,182
Accrued liabilities	581,455	117,066
Deferred revenue	137,272	62,751
Current portion of capital lease obligation	9,736	9,697
	TOTAL CURRENT LIABILITIES	970,696
Noncurrent Liabilities		
Long-term portion of capital lease obligation	-	13,021
	TOTAL NONCURRENT LIABILITIES	983,717
Net Assets		
Unrestricted		
Undesignated	22,660,337	24,015,992
Board designated	5,486,489	5,405,814
	28,146,826	29,421,806
Temporarily restricted	679,255	500,044
Permanently restricted	828,000	828,000
	TOTAL NET ASSETS	30,749,850
	TOTAL LIABILITIES AND NET ASSETS	\$ 31,733,567

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

(with comparative totals for 2011)

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenue					
Support					
Donated product	\$ 54,541,719	\$ -	\$ -	\$ 54,541,719	\$ 53,583,237
Federal grants	593,776	7,322,613	-	7,916,389	7,518,832
Contributions	5,771,200	717,125	-	6,488,325	5,149,677
In kind contributions	966,888	-	-	966,888	940,142
Special events (net of direct costs of \$391,663 and \$469,571, respectively)	2,351,003	-	-	2,351,003	2,065,279
Net assets released from restrictions	7,874,535	(7,874,535)	-	-	-
Total support	<u>72,099,121</u>	<u>165,203</u>	<u>-</u>	<u>72,264,324</u>	<u>69,257,167</u>
Revenue					
Share contributions and handling fees	2,734,602	-	-	2,734,602	2,704,997
Net investment income	65,141	14,008	-	79,149	1,400,498
Other income	238,973	-	-	238,973	146,553
Total revenue	<u>3,038,716</u>	<u>14,008</u>	<u>-</u>	<u>3,052,724</u>	<u>4,252,048</u>
TOTAL SUPPORT AND REVENUE	<u>75,137,837</u>	<u>179,211</u>	<u>-</u>	<u>75,317,048</u>	<u>73,509,215</u>
Expenses					
Program services					
Collection, storage and distribution of food	69,759,136	-	-	69,759,136	64,773,894
Kids in Need	1,153,349	-	-	1,153,349	1,288,264
Advocacy	1,095,049	-	-	1,095,049	980,114
Total program services	<u>72,007,534</u>	<u>-</u>	<u>-</u>	<u>72,007,534</u>	<u>67,042,272</u>
Supporting services					
Management and general	2,880,771	-	-	2,880,771	2,534,028
Fundraising	1,524,512	-	-	1,524,512	1,014,178
Total supporting services	<u>4,405,283</u>	<u>-</u>	<u>-</u>	<u>4,405,283</u>	<u>3,548,206</u>
TOTAL EXPENSES	<u>76,412,817</u>	<u>-</u>	<u>-</u>	<u>76,412,817</u>	<u>70,590,478</u>
CHANGE IN NET ASSETS	(1,274,980)	179,211	-	(1,095,769)	2,918,737
NET ASSETS AT BEGINNING OF YEAR	<u>29,421,806</u>	<u>500,044</u>	<u>828,000</u>	<u>30,749,850</u>	<u>27,831,113</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,146,826</u>	<u>\$ 679,255</u>	<u>\$ 828,000</u>	<u>\$ 29,654,081</u>	<u>\$ 30,749,850</u>

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012

(with comparative totals for 2011)

	Program Services				Supporting Services		2012 Total Expenses	2011 Total Expenses
	Collection, Storage and Distribution of Food	Kids in Need	Advocacy	Total Program Services	Management and General	Fundraising		
Donated product distributed	\$ 56,079,179	\$ 952,395	\$ -	\$ 57,031,574	\$ -	\$ -	\$ 57,031,574	\$ 53,267,080
Salaries, contract labor and payroll taxes	3,372,020	122,713	639,793	4,134,526	1,411,528	492,697	6,038,751	5,182,369
Product purchases	3,989,981	8,652	-	3,998,633	-	-	3,998,633	3,289,105
Contributions/agency subsidy	3,783,703	-	101,064	3,884,767	-	-	3,884,767	3,670,852
Employee benefits	450,042	18,331	56,273	524,646	187,801	68,843	781,290	670,619
Depreciation	504,498	6,818	31,159	542,475	235,646	-	778,121	728,289
Postage & printing	33,342	341	72,199	105,882	51,877	523,329	681,088	564,099
Occupancy	449,246	22,352	1,775	473,373	130,796	4,388	608,557	570,854
Professional services	101,855	525	72,992	175,372	322,811	29,970	528,153	494,825
Project expenses	50,471	500	9,732	60,703	185,412	177,047	423,162	703,323
Product shipping & transportation	400,524	6,410	-	406,934	1,556	-	408,490	327,088
Supplies	149,952	713	48,262	198,927	46,956	78,985	324,868	301,205
Equipment maintenance & leasing	109,317	5,007	1,093	115,417	72,761	-	188,178	219,820
Miscellaneous	13,292	-	850	14,142	99,353	33,599	147,094	163,107
Promotional/event expenses	26,748	53	15,402	42,203	100	89,328	131,631	41,556
Insurance	67,301	3,481	1,271	72,053	57,395	1,755	131,203	122,084
Professional dues & memberships	63,868	500	1,565	65,933	8,432	15,206	89,571	49,928
Conference/education/training	42,100	2,080	7,759	51,939	31,190	4,833	87,962	82,044
Communications	37,869	903	18,628	57,400	22,674	1,686	81,760	88,001
Travel	21,563	182	14,778	36,523	8,275	2,761	47,559	32,885
Other employee expenses	12,265	1,393	454	14,112	6,208	85	20,405	21,345
Total expenses	\$ 69,759,136	\$ 1,153,349	\$ 1,095,049	\$ 72,007,534	\$ 2,880,771	\$ 1,524,512	\$ 76,412,817	\$ 70,590,478

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,095,769)	\$ 2,918,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	778,121	728,289
Contribution of marketable securities	(64,076)	(69,170)
Loss on sale of equipment	3,946	-
Gain on sale of investments	(952,600)	(200,520)
Unrealized loss (gain) on investments	1,051,074	(1,076,114)
Decrease (increase) in inventory – donated	2,861,490	(622,106)
Change in assets and liabilities:		
(Increase) decrease in receivables	(322,700)	342,247
(Increase) decrease in inventory – purchased	(547,902)	243,964
Increase in prepaid expenses	(38,701)	(19,472)
Increase (decrease) in accounts payable and accrued liabilities	452,370	(35,834)
Increase (decrease) in deferred revenue	74,521	(24,993)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,199,774</u>	<u>2,185,028</u>

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

STATEMENTS OF CASH FLOWS—Continued

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Investing Activities		
Equipment purchases	\$ (711,541)	\$ (498,115)
Projects in progress	(178,728)	(3,416)
Investments	<u>(177,623)</u>	<u>(124,911)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,067,892)</u>	<u>(626,442)</u>
Cash Flows from Financing Activities		
Principal payments on capital lease obligation	<u>(12,982)</u>	<u>(19,925)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(12,982)</u>	<u>(19,925)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,118,900	1,538,661
Cash and Cash Equivalents at Beginning of Year	<u>3,468,451</u>	<u>1,929,790</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,587,351</u></u>	<u><u>\$ 3,468,451</u></u>
Supplemental Cash Flow Disclosures		
Interest paid	<u><u>\$ 2,011</u></u>	<u><u>\$ 3,105</u></u>

See accompanying notes.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A—DESCRIPTION OF ORGANIZATION

The Atlanta Community Food Bank, Inc. (the Food Bank or ACFB) is a not-for-profit corporation whose mission is to fight hunger by educating, empowering and engaging our community. Founded in 1979, the Food Bank currently distributes approximately three million pounds of food and other donated grocery items each month to more than 700 not-for-profit partner agencies in 38 counties in Metro Atlanta and North Georgia. The Food Bank supports a wide range of people in need, from children to the working poor. Food pantries, community kitchens, childcare centers, night shelters and senior centers are among the agencies that receive product from the Food Bank and provide food and other critical resources for low-income Georgians who suffer from hunger and food insecurity. The Food Bank also operates several community projects to aid our agencies in community building, technical assistance and advocacy efforts. The Food Bank is affiliated with Feeding America, the nation's leading domestic hunger-relief charity.

The mission of the Kids in Need program is to provide learning supplies for students whose academic success is threatened by poverty. Every year, Kids in Need distributes nearly 200,000 pounds of brand new school supplies to teachers in low-income elementary, middle and high schools in nine Metro Atlanta county school systems.

The Food Bank offers several advocacy programs such as Hunger 101 and the Atlanta Prosperity Campaign (APC). Hunger 101 is an introduction to hunger and poverty issues in the United States and Georgia and includes an online curriculum used to facilitate hunger education. APC connects working families and individuals to money-saving programs and existing benefits which will help them build and save for a brighter financial future.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Comparative Statements: The amounts shown for the year ended June 30, 2011 in the accompanying financial statements are included to provide a basis for comparison with 2012 and present summarized totals only. Accordingly, the 2011 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with the financial statements for the year ended June 30, 2011, from which the summarized information was derived.

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

As of June 30, 2012, all of the Food Bank's pledges receivable are to be received within one year; therefore, there were no discounts on pledges receivable. In addition, since all pledges receivable were deemed to be collectible there was no allowance for doubtful pledges.

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

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

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

	2012		2011	
	lbs	\$	lbs	\$
Donated product received				
Food – federal	6,211,231	\$ 10,310,643	11,255,093	\$ 18,683,454
Food – other donations	25,862,679	42,927,488	20,420,266	34,123,290
Other – Kids in Need	332,872	1,303,588	438,212	776,493
		<u>\$ 54,541,719</u>		<u>\$ 53,583,237</u>
Donated product distributed				
Food – federal	7,904,452	\$ 13,121,390	10,577,116	\$ 17,558,013
Food – other donations	25,878,186	42,957,789	20,851,284	34,626,626
Other – Kids in Need	362,116	952,395	475,767	1,082,441
		<u>\$ 57,031,574</u>		<u>\$ 53,267,080</u>

The Food Bank purchased 5,807,132 pounds of product and distributed 5,452,235 pounds of purchased product in the year ended June 30, 2012. The Food Bank purchased 4,953,073 pounds of product and distributed 4,913,755 pounds of purchased product in the year ended June 30, 2011.

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, 2012 and 2011 in the accompanying financial statements are \$192,178 and \$304,387, respectively. However, not included in contributed services is the value of donated time by volunteers to aid in program and other services. These services were not included since they do not meet the criteria described above. Over 22,000 volunteer visits for the year ended June 30, 2012 resulted in 109,978 hours of service. For the year ended June 30, 2011, the Food Bank received 98,727 hours of volunteer service.

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

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

Inventory: Inventory consists primarily of donated foods and related consumer products. Donated inventory has been valued in 2012 and 2011 at \$1.66 per pound, which is an approximation of the average national wholesale value of one pound of donated product. This value was derived from Feeding America, and management believes it is a fair representation of value for the purpose stated above.

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

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

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

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

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

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

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

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

Depreciation expense in the amount of \$778,121 and \$728,289 has been charged to operations for the years ended June 30, 2012 and 2011, respectively.

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

Grant Revenue and Deferred Revenue: Grant revenue is primarily on a reimbursement basis and is recognized as expenditures are made. Unexpended funds received under these grants and contracts are recorded as deferred revenue. At June 30, 2012 deferred revenue also includes special event sponsorships and ticket sales that relate to an event in the subsequent year.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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

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

Management does not believe there are any uncertain tax positions as defined by FASB ASC 740, *Income Taxes*, at June 30, 2012. The Food Bank could be subject to income tax examinations for its U.S. federal tax filings for the current tax year and previous filings for fiscal years ended in 2011, 2010, and 2009 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, 2012 and October 24, 2012, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE C—INVESTMENTS

The Food Bank’s investments at June 30, 2012 and 2011 are comprised of the following:

	2012		2011	
	Fair Value	Cost	Fair Value	Cost
Money Market Funds	\$ 690,220	\$ 690,220	\$ 200,706	\$ 200,706
Mutual Funds				
Growth Index	2,649,337	2,636,474	-	-
Intermediate Term Bond	1,823,123	1,792,815	1,979,403	2,014,612
Value Index	975,546	970,633	-	-
Dividend Index	533,805	532,940	-	-
World Bond	527,135	533,216	419,110	412,027
Foreign Large Blend	495,741	590,000	-	-
Short Term Bond	424,779	421,936	418,105	414,539
Mid Cap Growth	421,867	330,743	441,485	337,637
Diversified Emerging Mkts	402,500	418,425	-	-
High Yield Bond	269,118	260,056	141,531	143,241
Intermediate Government	211,646	200,258	245,691	240,464
Small Blend	190,565	201,669	195,450	195,450
Large Cap Growth	3,156	3,049	1,520,860	1,245,813
US Treasury	-	-	238,875	242,598
Small Cap Growth	-	-	250,802	180,223
Mid Cap Value	-	-	370,346	278,726
Large Cap Value	-	-	1,005,222	833,230
Large Blend	-	-	2,047,727	1,648,869
Total Investments	<u>\$ 9,618,538</u>	<u>\$ 9,582,434</u>	<u>\$ 9,475,313</u>	<u>\$ 8,388,135</u>

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE C—INVESTMENTS—Continued

Investment income for the years ended June 30, 2012 and 2011 is composed of:

	2012	2011
Interest income	\$ 220,935	\$ 166,749
Brokerage fees	(43,312)	(42,885)
Unrealized gain (loss) on investments	(1,051,074)	1,076,114
Realized gain on investments	952,600	200,520
Net Investment Income	<u>\$ 79,149</u>	<u>\$ 1,400,498</u>

NOTE D—BOARD DESIGNATED UNRESTRICTED NET ASSETS

The Board of Directors of the Food Bank reviews its plans for future needs and from time to time designates appropriate sums of unrestricted net assets to assure adequate funding for financing such activities. Unrestricted board designated net assets consists of the following at June 30, 2012 and 2011.

	2012	2011
Emergency relief fund	\$ 66,639	\$ 65,353
Future programming	4,887,146	4,807,757
Building fund endowment	532,704	532,704
	<u>\$ 5,486,489</u>	<u>\$ 5,405,814</u>

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E—RESTRICTIONS ON NET ASSETS

Permanently Restricted Net Assets: The Board of Directors of the Food Bank has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Food Bank classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Food Bank in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Food Bank, and (7) the Food Bank's investment policies.

Investment Policy: The Food Bank has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Food Bank must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, the endowment assets are invested in a manner recommended by the finance committee and approved by the board of directors.

To satisfy its long-term rate-of-return objectives, the Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Food Bank targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E—RESTRICTIONS ON NET ASSETS—Continued

Spending Policy: The Food Bank has a policy of appropriating for distribution each year 5% of the average total market value of the endowment for the trailing three-year period ending December 31. In the event the average annualized total return for the trailing three-year period fails to equal or exceed five percent, the Food Bank shall distribute only the Net Income (defined as interest, dividends and other income receipts from investments less expenses) until such time as the trailing three-year return again equal or exceeds 5%. In making distributions, the Food Bank is authorized to use both the Net Income and Net Capital Appreciation (defined as realized and unrealized appreciation in the fair market value of the investments) in excess of the fund's Historic Dollar Value (i.e. corpus). The Food Bank's executive committee shall have discretion over whether or not distributions are appropriated. If it is determined that a distribution is not needed in a particular year, the Executive Committee may waive the distribution for the current year and no appropriation will be made. No distributions were appropriated for the fiscal years ended June 30, 2012 or 2011.

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

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

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
William F. Shallenberger				
Trust Fund	\$ -	\$ 143,680	\$ 738,000	\$ 881,680
Endowment for Atlanta's Table	-	-	90,000	90,000
	\$ -	\$ 143,680	\$ 828,000	\$ 971,680

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E—RESTRICTIONS ON NET ASSETS—Continued

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

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

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of the year	\$ (155)	\$ -	\$ 828,000	\$ 827,845
Contributions	-	-	-	-
Investment income, net	155	11,949	-	12,104
Unrealized and realized gain, net	-	131,731	-	131,731
Appropriated for expenditure	-	-	-	-
End of the year	<u>\$ -</u>	<u>\$ 143,680</u>	<u>\$ 828,000</u>	<u>\$ 971,680</u>

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE E—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, 2012 and 2011:

	2012	2011
Time Restrictions		
Grants designated for future expenditures	\$ 303,398	\$ 170,361
Purpose Restrictions		
Endowment earnings	157,688	143,680
Future program	36,135	32,897
Food purchase	118,848	59,918
Other programming	50,086	31,685
School supplies	13,100	4,000
Technology	-	57,503
	<u>\$ 679,255</u>	<u>\$ 500,044</u>

NOTE F—COMMITMENTS AND CONTINGENCIES

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

The Food Bank leases additional building space at its 970 Jefferson Street building to another not-for-profit organization beginning May 2009 at \$475 per month for eight months. Under the terms of the agreement, for the first seven months, the Food Bank agreed to waive the rent and record \$475 a month as a charitable donation to the tenant. The lease was renewed through March 2012. Under the terms of the renewal agreement, the Food Bank agreed to waive all rent. The tenant vacated the premises in May 2012.

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F—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.

During the year ended June 30, 2011, ACFB contributed \$250,000 to GMFB's capital campaign and ACFB also contributed \$250,000 to assist GMFB in getting their operation started.

ACFB contributed \$10,000 to GMFB for operations during the year ended June 20, 2012.

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:

2013	\$	31,350
2014		30,559
2015		18,120
2016		3,392

ATLANTA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE F—COMMITMENTS AND CONTINGENCIES—Continued

Capital Lease: The Food Bank leases copier/scanners under capital leases. As of June 30, 2012 the cost and accumulated amortization of equipment under capital lease are included in property and equipment in the accompanying financial statements and are as follows:

Copiers and scanners	\$ 84,944
Less accumulated depreciation	<u>(71,962)</u>
Net equipment under capital lease	<u><u>\$ 12,982</u></u>

Future minimum lease payments under capital leases are for the years ending June 30:

2013	\$ 10,488
Less amount representing interest	<u>(752)</u>
	9,736
Less current portion	<u>(9,736)</u>
Long-term portion	<u><u>\$ -</u></u>

Related interest expense for the years ended June 30, 2012 and 2011 amounted to \$2,011 and \$3,105, respectively.

Other Commitments: During the year ended June 30, 2012 the Food Bank entered into a construction contract for approximately \$632,000 for work to be done subsequent to year end.

NOTE G—RETIREMENT EXPENSE

The Food Bank has a defined contribution pension plan covering all employees, twenty-one years of age or older, who have completed one year of service. The Food Bank presently contributes 7.5% of the employee's annual gross salary. The amount contributed to the plan for the years ended June 30, 2012 and 2011 was \$301,660 and \$274,171, respectively.