

AUDITED FINANCIAL STATEMENTS

VERMONT FOODBANK

Barre, Vermont

September 30, 2012

Boisselle, Morton & Associates, LLP
Certified Public Accountants

Vermont Foodbank

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BOISSELLE, MORTON & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Officers and Directors
Vermont Foodbank
Barre, Vermont

Independent Auditors' Report

We have audited the accompanying statement of financial position of Vermont Foodbank (a nonprofit corporation) as of September 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 Vermont Foodbank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 Vermont Foodbank as of September 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of Vermont Foodbank's internal control over financial reporting and 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 important for assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Boisselle, Morton & Associates, LLP

Hadley, Massachusetts
January 10, 2013

VERMONT FOODBANK
Statement of Financial Position
September 30, 2012

Assets

Cash	\$ 24,292
Accounts receivable	71,551
Contributions receivable	90,000
Grants receivable	2,973
Inventory	1,305,418
Prepaid expenses	28,677
Investments	1,230,647
Property and equipment, net	<u>3,499,205</u>
 Total assets	 \$ <u><u>6,252,763</u></u>

Liabilities and Net Assets

Liabilities	
Accounts payable	\$ 64,047
Accrued expenses	142,459
Notes payable	<u>58,942</u>
Total liabilities	<u>265,448</u>
 Net assets	
Unrestricted - undesignated	2,014,665
Unrestricted - property and equipment	3,499,205
Unrestricted - board designated	<u>300,000</u>
Total unrestricted net assets	5,813,870
Temporarily restricted	<u>173,445</u>
Total net assets	<u>5,987,315</u>
 Total liabilities and net assets	 \$ <u><u>6,252,763</u></u>

The accompanying notes are an integral part of these financial statements.

VERMONT FOODBANK
Statement of Activities
Year Ended September 30, 2012

	Unrestricted			Temporarily Restricted	Total
	Food Bank	Donated Food	Total Unrestricted		
Operating support and revenue					
Food donations and surplus food received		\$ 11,372,237	\$ 11,372,237		\$ 11,372,237
Contributions	\$ 2,969,798		2,969,798	\$ 90,000	3,059,798
In-kind contributions	100,202		100,202		100,202
Grant income	1,288,687		1,288,687	20,000	1,308,687
Sales of purchased food	1,107,373		1,107,373		1,107,373
Membership and delivery fees	171,514		171,514		171,514
Other revenue	34,122		34,122	325	34,447
Investment income - operations	739		739		739
Net assets released from restrictions	167,737		167,737	(167,737)	
Total operating support and revenue	<u>5,840,172</u>	<u>11,372,237</u>	<u>17,212,409</u>	<u>(57,412)</u>	<u>17,154,997</u>
Operating expenses					
Program	3,887,830	12,421,416	16,309,246		16,309,246
Administration	488,637		488,637		488,637
Fundraising	922,900		922,900		922,900
Total operating expenses	<u>5,299,367</u>	<u>12,421,416</u>	<u>17,720,783</u>		<u>17,720,783</u>
Change in net assets, operations	<u>540,805</u>	<u>(1,049,179)</u>	<u>(508,374)</u>	<u>(57,412)</u>	<u>(565,786)</u>
Non-operating income (expense)					
Capital grants and gifts	261,114		261,114		261,114
Net assets released for capital purchases	9,115		9,115	(9,115)	
Investment income - non-operating	19,266		19,266		19,266
Investment management fees	(4,009)		(4,009)		(4,009)
Net unrealized gain on investments	87,272		87,272		87,272
Depreciation	(297,272)		(297,272)		(297,272)
Total non-operating income (expense)	<u>75,486</u>		<u>75,486</u>	<u>(9,115)</u>	<u>66,371</u>
Change in net assets	616,291	(1,049,179)	(432,888)	(66,527)	(499,415)
Net assets - beginning of year	<u>4,102,031</u>	<u>2,144,727</u>	<u>6,246,758</u>	<u>239,972</u>	<u>6,486,730</u>
Net assets - end of year	<u>\$ 4,718,322</u>	<u>\$ 1,095,548</u>	<u>\$ 5,813,870</u>	<u>\$ 173,445</u>	<u>\$ 5,987,315</u>

The accompanying notes are an integral part of these financial statements.

VERMONT FOODBANK
Statement of Functional Expenses
Year Ended September 30, 2012

	Program Expenses		Total Program Expenses
	Food Distribution	Other Program	
Employee compensation and related:			
Salaries	\$ 1,193,026	\$ 39,137	\$ 1,232,163
Payroll taxes	95,795	3,143	98,938
Fringe benefits	199,459	6,543	206,002
Total employee compensation and related	1,488,280	48,823	1,537,103
Value of donated food distributed	12,421,416		12,421,416
Cost of food purchased	871,831		871,831
Other program expenses	356,734	64,318	421,052
Fundraising expenses			
Vehicle lease and operating costs	238,529		238,529
Warehouse supplies	221,090		221,090
Agency relations	120,684		120,684
Office expenses	70,190	2,906	73,096
Building and grounds maintenance	98,849	5,203	104,052
Utilities	95,146		95,146
In-kind expenses			
Inbound freight	75,206		75,206
Public relations		1,308	1,308
Insurance	48,690	2,024	50,714
Professional services	15,404	478	15,882
Training, conferences and education	14,222	1,095	15,317
Other supporting services	16,269	613	16,882
Contracted labor expense	23,466		23,466
Travel	4,983	1,489	6,472
Board expense			
Total support expenses	14,692,709	79,434	14,772,143
Total expenses before depreciation	16,180,989	128,257	16,309,246
Depreciation	267,991		267,991
Total expenses	\$ 16,448,980	\$ 128,257	\$ 16,577,237

The accompanying notes are an integral part of these financial statements.

VERMONT FOODBANK
Statement of Functional Expenses (Continued)
Year Ended September 30, 2012

	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Employee compensation and related:			
Salaries	\$ 338,528	\$ 331,052	\$ 1,901,743
Payroll taxes	27,183	26,582	152,703
Fringe benefits	56,598	55,348	317,948
Total employee compensation and related	<u>422,309</u>	<u>412,982</u>	<u>2,372,394</u>
Value of donated food distributed			12,421,416
Cost of food purchased			871,831
Other program expenses			421,052
Fundraising expenses		281,381	281,381
Vehicle lease and operating costs			238,529
Warehouse supplies			221,090
Agency relations		25	120,709
Office expenses	13,657	28,526	115,279
Building and grounds maintenance	2,126	1,725	107,903
Utilities	4,467	3,623	103,236
In-kind expenses		92,702	92,702
Inbound freight			75,206
Public relations		68,250	69,558
Insurance	7,962	9,496	68,172
Professional services	17,112	4,042	37,036
Training, conferences and education	3,326	13,636	32,279
Other supporting services	11,767	5,333	33,982
Contracted labor expense			23,466
Travel	1,132	1,179	8,783
Board expense	4,779		4,779
Total support expenses	<u>66,328</u>	<u>509,918</u>	<u>15,348,389</u>
Total expenses before depreciation	488,637	922,900	17,720,783
Depreciation	<u>16,167</u>	<u>13,114</u>	<u>297,272</u>
Total expenses	<u>\$ 504,804</u>	<u>\$ 936,014</u>	<u>\$ 18,018,055</u>

The accompanying notes are an integral part of these financial statements.

VERMONT FOODBANK
Statement of Cash Flows
Year Ended September 30, 2012

Cash flows from operating activities	
Cash received from contributions	\$ 3,275,912
Cash received from grants	1,322,356
Cash received from food sales	1,107,373
Cash received from fees and other programs	222,521
Cash paid for compensation and related expenses	(2,365,081)
Cash paid to suppliers	(2,205,684)
Cash paid for food inventory	(885,849)
Interest received	739
Interest paid	(1,949)
Net cash provided by operating activities	<u>470,338</u>
Cash flows from investing activities	
Proceeds from sales of investments	379,676
Purchases of investments	(627,166)
Purchases of property and equipment	(342,900)
Net cash used by investing activities	<u>(590,390)</u>
Cash flows from financing activities	
Borrowings on line of credit	190,205
Repayments on line of credit	(190,205)
Principal payments on notes payable	(1,953)
Net cash used by financing activities	<u>(1,953)</u>
Net decrease in cash and cash equivalents	(122,005)
Cash - beginning of year	<u>146,297</u>
Cash - end of year	<u>\$ 24,292</u>

Supplemental disclosures of non-cash operating and investing activities:

Donated food received	\$ 11,372,237
Donated food distributed	(12,421,416)
Donated in-kind property and equipment	7,500
Donated in-kind support and expense	(92,702)

The accompanying notes are an integral part of these financial statements.

VERMONT FOODBANK
Schedule of Reconciliation of Change in Net Assets
to Net Cash Provided by Operating Activities
Year Ended September 30, 2012

Change in net assets	\$ <u>(499,415)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	297,272
Net unrealized gain on investments	(87,272)
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	17,159
Contributions receivable	(45,000)
Grants receivable	13,669
Inventory	1,023,051
Prepaid expenses	1,682
(Decrease) increase in:	
Accounts payable	(257,522)
Accrued expenses	7,313
Deferred revenue	<u>(599)</u>
Total adjustments	<u>969,753</u>
Net cash provided by operating activities	<u>\$ 470,338</u>

The accompanying notes are an integral part of these financial statements.

VERMONT FOODBANK
Notes to the Financial Statements
September 30, 2012

1. Summary of Significant Accounting Policies

Nature of Business: Vermont Foodbank's ("the Foodbank") is an independent, nonprofit Vermont corporation formed in 1989. The purpose of the Foodbank is to distribute food to food shelves and other nonprofit agencies throughout the state of Vermont and to educate the general public on the issues of hunger. The Foodbank is a certified affiliate of the Feeding America Food Bank Network ("Feeding America" formerly known as America's Second Harvest).

Description of Programs: A description of the major programs included in these financial statements is as follows:

Food distribution: The Foodbank distributed approximately 8,100,000 pounds (gross weight) of donated food products in the fiscal year 2012 from a variety of sources including regional supermarket reclamation centers, local food processors and national manufacturers through the Feeding America network. The Foodbank sorts the donated products and reclaims approximately 96% as suitable for redistribution. The donated product is supplemented with surplus food commodities from the U.S. Department of Agriculture (USDA), and some purchased food. Food from all sources (except for CSFP commodities described below) is made available to the Foodbank's more than 280 member agencies throughout Vermont (food shelves, churches and other nonprofit agencies) either through pickup at the Foodbank's Barre, Kingsbury Farm, Brattleboro, or Wolcott, VT, regional distribution centers, or delivery via Foodbank trucks.

Member agencies pay an annual membership fee. Annual membership fees for network partners are based on the number of pounds of donated product the agency receives during the previous year, member agencies pay a delivery fee of \$.05 per pound for all food delivered (except USDA commodities); there is no delivery fee for donated food that is picked up. There are no charges of any kind for USDA commodities distributed. The Foodbank also administers the "Commodity Supplemental Food Program" (CSFP), a USDA program that allows the Foodbank to deliver surplus commodities directly to eligible recipients each month at drop sites throughout the State.

Other programs: Other programs of the Foodbank include the Community Kitchen, Prepared Foods and Gleaning. Also included are the Back Pack Program, Kids Café and Summer Feeding Programs.

Tax Status: The Foodbank is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 509(a)(1). In addition, the Foodbank qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi).

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions: Professional accounting standards provide detailed guidance for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. They require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. A tax position is deemed to include such things as the organization's tax exempt status.

Management has not identified any uncertain tax positions and, therefore, no liability has been recorded in the financial statements. The Foodbanks' income tax filings are subject to audit by the Internal Revenue Service. The Foodbank's open audit periods are 2009-2011.

Basis of Presentation: The financial statements of the Foodbank have been prepared on the accrual basis of accounting. The net assets of the Foodbank are reported in each of the following three classes when applicable: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets are unrestricted and are reported as part of the unrestricted class.

Use of Estimates: The preparation of 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 financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Support: Contributions that are restricted by the donor (either by time or purpose) are recorded as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purposed restriction is accomplished) in the same reporting period in which the revenue is 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 expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable: Accounts receivable consist of fees due from member agencies and various amounts due from other Foodbank programs. Management believes these receivables are collectible and have not established an allowance.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Contributions Receivable: Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Inventory: Inventory consists of donations, USDA commodities and purchased food awaiting distribution. Purchased food is valued at the lower cost or market. Donated food is valued at the estimated fair market value at the date it was received (as determined by Feeding America; \$1.66 per pound in 2012). All inventory values are determined using the first-in, first-out method.

Investments: Investments are stated at market value. Money market accounts and other cash equivalents that are included in the Foodbank's investment accounts are presented as investments in these financial statements. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities.

Fair Value Measurements: Accounting standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

Level 1	Unadjusted quoted prices for identical assets or liabilities in active markets. Market price is generally obtained from exchange or dealer markets.
Level 2	Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2012

1. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued):

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and Equipment: The cost, if purchased, and fair value, if donated, of property and equipment is capitalized. The Foodbank's policy is to capitalize purchases of property and equipment exceeding \$2,500. Depreciation is computed by the straight-line method over the estimated useful lives of the underlying assets; asset lives range between 3 and 40 years. As the Foodbank relies on securing capital gifts and grants to support net asset purchases, it has classified depreciation expense as a non-operating expense.

Contributed Food, Property and Equipment: Contributed food, property and equipment are recorded at estimated fair value at the date of donation. If donors stipulate how long the assets must be used or that they be used for a particular purpose, the contributions are treated as temporarily restricted.

Donated Services and Materials: No amounts have been reflected in the financial statements for donated services. The Foodbank generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foodbank with donated food salvage and reclamation, fundraising solicitations and other functions. Approximately 625 volunteers donated 14,311 hours of services to the Foodbank for the year ended September 30, 2012.

In-kind donations are recorded as revenue and expense in the accompanying statement of activities or as additions to assets in the statement of financial position.

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

2. Contributions Receivable

Contributions receivable consist of promises to give to support the Foodbank's programs and capital purchases. Due to their current nature, no allowance for uncollectible pledges is deemed necessary by management. At September 30, 2012, 89% of contributions receivable were due from one donor.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2012

3. Investments

The Foodbank had investments (all Level 1) as follows at September 30, 2012:

Cash and sweep balances	\$ 536,540
Certificates of deposit	105,407
Mutual funds of bonds	153,595
Mutual funds of international equities	97,313
Mutual funds of domestic equities	<u>337,792</u>
	<u>\$1,230,647</u>

Investment return consisted of the following for the year ended September 30, 2012:

Interest and dividends	\$ 19,266
Investment fees	<u>(4,009)</u>
Net investment income	<u>\$ 15,257</u>
Net unrealized gain on investments	<u>\$ 87,272</u>

Fair values for mutual funds were determined by reference to quoted market prices and other relevant information generated by market transactions.

4. Property and Equipment

Property and equipment consisted of the following at September 30, 2012:

Land, building and improvements	\$3,745,294
Furniture, fixtures and office equipment	322,058
Warehouse and kitchen equipment	775,757
Vehicles	<u>529,762</u>
	<u>5,372,871</u>
Less accumulated depreciation	<u>1,873,666</u>
Property and equipment, net	<u>\$3,499,205</u>

The Foodbank disposed of \$4,625 of fully-depreciated equipment in the year ended September 30, 2012. These dispositions had no effect on the change in net assets.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2012

5. Line of Credit

The Foodbank has a \$400,000 unsecured line of credit available through Merchants Bank, which will mature in March 2013. The line of credit bears interest at the bank's base rate, subject to a minimum rate of 4.00%; the effective rate was 4.25% as of September 30, 2012. There was no amount outstanding under the line of credit agreement as of September 30, 2012.

6. Long-Term Debt

Long-term debt consisted of the following at September 30, 2012:

Town of Barre:

Non-interest bearing mortgage loan payable in annual installments of \$8,333, due January 2017. The loan is secured by a mortgage on property in Barre, VT.	\$ 35,000
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Vermont State Employees Credit Union:

5.25% vehicle note payable in monthly installments of \$553, including interest, until April 2013. This note is secured by a vehicle.	3,817
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3.50% vehicle note payable in monthly installments of \$659, including interest, until May 2015. This note is secured by a vehicle and a certificate of deposit. This note was paid off in October 2012.	<u>20,125</u>
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	<u>58,942</u>
Less current portion	<u>(32,275)</u>

\$ 26,667

Estimated maturities of long-term debt are the following for the years ending September 30:

2013	\$32,275
2014	8,333
2015	8,333
2016	8,333
2017	<u>1,668</u>
	<u>\$58,942</u>

7. Board Designated Unrestricted Net Assets

Effective September 30, 1998, the Board designated \$300,000 of unrestricted net assets as being reserved for the long-term support of the Foodbank.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2012

8. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$173,445 at September 30, 2012, are from donations restricted for various other programs at the Foodbank.

9. Operating Leases

The Foodbank leases three trucks under 72-month operating leases with ending dates of January 2013, and June 2018. Base charges are approximately \$1,500 per week plus \$.06 - \$.075 per mile plus \$.90 - \$.95 per refrigeration unit hour. Maintenance is provided by the lessor. The base and mileage charges are subject to annual inflation increases. Total costs for these leases during the fiscal year ended September 30, 2012, was \$78,710.

The Foodbank has two 10-year, non-cancelable leases for office and distribution space in Wolcott, Vermont, requiring monthly rental payments of \$3,802 through October 2018. The Foodbank also has a non-cancelable lease for warehouse space in Brattleboro, Vermont, with monthly payments of \$8,100 through October 2013, and increasing each year thereafter through October 2018. In addition to the monthly rent for Brattleboro, if the cost of utilities exceeds the percentages stipulated in the rental agreements, the Foodbank is liable for their portion of the expenses. Total facility rent expense was approximately \$142,824 for the year ended September 30, 2012.

The Foodbank also has three different non-cancelable leases for their onsite copiers that expire at various dates through September 2013. Those leases require the Foodbank to pay a fixed monthly fee, as well as a cost per image copied. Total expenses related to the copier leases was \$18,183 for the year ended September 30, 2012.

Future minimum lease payments under operating leases are as follows for the years ending September 30:

	<u>Facilities</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Total</u>
2013	\$ 142,824	\$ 75,618	\$ 16,237	\$ 234,679
2014	148,170	55,755	9,897	213,822
2015	148,656	57,140	7,078	212,874
2016	154,321	58,542	3,055	215,918
2017	154,836	23,482	1,713	180,031
Thereafter	<u>168,787</u>	<u>-0-</u>	<u>-0-</u>	<u>168,787</u>
	<u>\$ 917,594</u>	<u>\$ 270,537</u>	<u>\$ 37,980</u>	<u>\$ 1,226,111</u>

The Foodbank has a lease with a local farmer for the use of the Foodbank's Kingsbury Farm property in Warren, Vermont, through December 2013. Under the lease, the farmer may use the Kingsbury Farm for growing, producing and selling "first quality" food crops, in exchange for providing at least \$30,000 of produce at wholesale value to Foodbank or its network partner agencies in the Mad River Valley communities.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2012

10. Commitments and Contingencies

As part of its “Certified Affiliate Agreement” with Feeding America, the Foodbank has agreed to operate its food donation and distribution system under certain industry standard procedures and to undergo biennial reviews. That agreement also requires the Foodbank to maintain cash reserves in an amount equaling at least three months of anticipated operating costs or to demonstrate a positive working capital in the previous fiscal year.

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to grantors. Although that is a possibility, management deems the contingency remote, since by accepting the awards and their terms, it has accommodated the objectives of the organization to the provisions of the grant.

The Foodbank has a mortgage deed for the Kingsbury Farm property with the Vermont Housing and Conservation Board (VHCB) that outlines the terms and conditions of the U.S. Department of Housing and Urban Development (HUD) Special Project Grant. Under the grant, VHCB has agreed to provide the Foodbank up to \$100,000 for the renovation and related expenses of the farmhouse situated on the Kingsbury Farm located in the Town of Warren.

The Foodbank and Feeding America began a strategic partnership called the Athena Project. Over the course of one year, the project will result in the development of new functionality (software and hardware), which will enable the Foodbank to better manage its business processes and procedures common to food banking. Feeding America will provide and pay for in-kind technical expertise, consulting services, systems customizations and implementation services valued at more than \$142,900, which includes a grant of 50% of the Foodbank’s out-of-pocket expenses for the first two phases of the project, which was \$63,000.

The Foodbank, in order to be selected as one of the food banks nationwide to be part of the project, has committed to cover the remaining 50% of “member costs” incurred during the first two project phases. The Foodbank has received a \$56,300 foundation grant and an anonymous donation to cover its portion of the project.

The member costs of the two remaining project phases will cost (estimated) \$130,000. Of this amount, \$55,000 has been raised through restricted grants, and the Foodbank will be researching other grant options to fund these remaining phases of the project.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2012

11. Retirement Plan

The Foodbank maintains a 403(b) Thrift Plan that covers substantially all employees. There are no minimum age or service requirements for employees to make contributions to the plan. The Foodbank may elect to contribute to the plan annually.

For fiscal year 2012, the Foodbank contributed 1.50% of salaries to the retirement accounts of all eligible employees. Pension expense for the year ended September 30, 2012, was \$25,295.

12. Federal Food Commodity Programs

The Foodbank receives surplus food commodities from the USDA to support two programs – The Emergency Food Assistance Program (TEFAP) through the Vermont Agency of Human Services, and the Commodities Supplemental Food Program (CSFP) through the Vermont Department of Disabilities, Aging and Independent Living. The Foodbank also receives monetary funding through the same agencies to offset program and administrative costs. Federal support under these programs is summarized as follows for the year ended September 30, 2012:

	<u>TEFAP</u>	<u>CSFP</u>	<u>Total</u>
Federal commodities:			
Value of commodities in opening inventory	\$ 437,416	\$ 389,194	\$ 826,610
Value of commodities received	1,461,030	1,834,198	3,295,228
Value of commodities distributed	<u>(1,765,548)</u>	<u>(1,936,454)</u>	<u>(3,702,002)</u>
Value of commodities in ending inventory	\$ <u>132,898</u>	\$ <u>286,938</u>	\$ <u>419,836</u>
Federal expenditures:			
Value of commodities distributed	\$ 1,765,548	\$ 1,936,454	\$ 3,702,002
Monetary support received and expended	<u>108,656</u>	<u>228,761</u>	<u>337,417</u>
Total federal expenditures under these programs	\$ <u>1,874,204</u>	\$ <u>2,165,215</u>	\$ <u>4,039,419</u>

13. Subsequent Events

The Foodbank has evaluated subsequent events after the statement of financial position date of September 30, 2012, through January 10, 2013, the date on which the financial statements were available to be issued, and concluded that no additional disclosures are required.

Supplementary Information

VERMONT FOODBANK
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2012

Federal Grantor: Pass-through Grantor: Program Title	Federal CFDA Number	Pass-through Entity's Number	Federal Expenditures
U.S. Department of Agriculture			
Received directly:			
Community Facilities Program	10.766		\$ <u>9,122</u>
Passed through Vermont Agency of Agriculture:			
Specialty Crop Block Grant	10.170	0220-SCBGP35-1	<u>5,200</u>
Passed through Vermont Department of Disabilities, Aging and Independent Living:			
Commodities Supplemental Food Program - Cash	10.565	03460-6-1657	228,761
Commodities Supplemental Food Program - Food commodities	10.565		<u>730,405</u>
Total - Commodities Supplemental Food Program			<u>959,166</u>
Passed through Vermont Department of Children and Families:			
TEFAP Cluster:			
Emergency Food Assistance Program - Administrative costs	10.568	03440-39012-11-	108,656
Emergency Food Assistance Program - Food commodities	10.569	TEFAP	<u>1,765,548</u>
Total - TEFAP Cluster			<u>1,874,204</u>
Summer Food Services Program	10.559		<u>9,465</u>
Total U.S. Department of Agriculture			\$ <u>2,857,157</u>
 U.S. Department of Housing and Urban Development:			
Received directly:			
Economic Development Initiative	14.251		\$ <u>179,866</u>
Total Federal Awards Expended			<u>\$ <u>3,037,023</u></u>

Notes:

The schedule of expenditures of federal awards includes the federal activity of Vermont Foodbank and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See Independent Auditors' Report.