

AUDITED FINANCIAL STATEMENTS

VERMONT FOODBANK

Barre, Vermont

September 30, 2013

Boisselle, Morton & Associates, LLP
Certified Public Accountants

Vermont Foodbank

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BOISSELLE, MORTON & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Officers and Directors
Vermont Foodbank
Barre, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Vermont Foodbank (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Foodbank as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Vermont Foodbank's September 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2014, on our consideration of Vermont Foodbank's 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.

To the Officers and Directors
Vermont Foodbank
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Other Reporting Required by *Government Auditing Standards* (Continued)

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vermont Foodbank's internal control over financial reporting and compliance.

Boisselle, Morton & Associates, LLP

Hadley, Massachusetts
January 9, 2014

VERMONT FOODBANK
Statement of Financial Position
September 30, 2013
(with comparative totals for September 30, 2012)

	2013	2012
<u>Assets</u>		
Cash	\$ 66,532	\$ 24,292
Accounts receivable	70,411	71,551
Contributions receivable	62,500	90,000
Grants receivable	83,204	2,973
Inventory	1,651,523	1,305,418
Prepaid expenses	26,442	28,677
Investments	1,513,372	1,230,647
Property and equipment, net	3,441,972	3,499,205
Total assets	\$ 6,915,956	\$ 6,252,763
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 156,076	\$ 64,047
Accrued expenses	190,285	142,459
Note payable	26,667	58,942
Total liabilities	373,028	265,448
Net assets		
Unrestricted - undesignated	2,289,468	2,014,665
Unrestricted - property and equipment	3,441,972	3,499,205
Unrestricted - board designated	300,000	300,000
Total unrestricted net assets	6,031,440	5,813,870
Temporarily restricted	511,488	173,445
Total net assets	6,542,928	5,987,315
Total liabilities and net assets	\$ 6,915,956	\$ 6,252,763

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

VERMONT FOODBANK
Statement of Activities
Year Ended September 30, 2013
(with comparative totals for the year ended September 30, 2012)

	Unrestricted			Temporarily Restricted	2013 Total	2012 Total
	Foodbank	Donated Food	Total Unrestricted			
Operating support and revenue						
Food donations and surplus food received		\$ 12,293,334	\$ 12,293,334		\$ 12,293,334	\$ 11,372,237
Contributions	\$ 3,270,871		3,270,871	\$ 206,720	3,477,591	3,059,798
In-kind contributions	67,678		67,678		67,678	100,202
Grant income	1,215,710		1,215,710	204,860	1,420,570	1,308,687
Sales of purchased food	1,143,069		1,143,069		1,143,069	1,107,373
Membership and delivery fees	165,076		165,076		165,076	171,514
Other revenue	29,078		29,078		29,078	34,447
Investment income - operations	470		470		470	739
Net assets released from restrictions	73,537		73,537	(73,537)		
Total operating support and revenue	<u>5,965,489</u>	<u>12,293,334</u>	<u>18,258,823</u>	<u>338,043</u>	<u>18,596,866</u>	<u>17,154,997</u>
Operating expenses						
Program	4,204,373	11,965,328	16,169,701		16,169,701	16,309,246
Administration	573,695		573,695		573,695	488,637
Fundraising	1,106,713		1,106,713		1,106,713	922,900
Total operating expenses	<u>5,884,781</u>	<u>11,965,328</u>	<u>17,850,109</u>		<u>17,850,109</u>	<u>17,720,783</u>
Change in net assets, operations	<u>80,708</u>	<u>328,006</u>	<u>408,714</u>	<u>338,043</u>	<u>746,757</u>	<u>(565,786)</u>
Non-operating income (expense)						
Capital grants and gifts	32,874		32,874		32,874	261,114
Investment income - non-operating	17,805		17,805		17,805	19,266
Investment management fees	(4,549)		(4,549)		(4,549)	(4,009)
Net unrealized gain on investments	53,210		53,210		53,210	87,272
Net loss on disposal of equipment	(7,686)		(7,686)		(7,686)	
Depreciation	(282,798)		(282,798)		(282,798)	(297,272)
Total non-operating income (expense)	<u>(191,144)</u>		<u>(191,144)</u>		<u>(191,144)</u>	<u>66,371</u>
Change in net assets	(110,436)	328,006	217,570	338,043	555,613	(499,415)
Net assets - beginning 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>	<u>6,486,730</u>
Net assets - end of year	<u>\$ 4,607,886</u>	<u>\$ 1,423,554</u>	<u>\$ 6,031,440</u>	<u>\$ 511,488</u>	<u>\$ 6,542,928</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, 2013
(with comparative totals for the year ended September 30, 2012)

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>2013 Total</u>	<u>2012 Total</u>
Value of donated food distributed	\$ 11,965,328			\$ 11,965,328	\$ 12,421,416
Employee compensation	1,752,184	\$ 493,323	\$ 443,633	2,689,140	2,372,394
Cost of food purchased	904,662			904,662	871,831
Fundraising expenses			453,284	453,284	281,381
Other program expenses	351,680			351,680	421,052
Vehicle lease and operating costs	266,013			266,013	238,529
Warehouse supplies	222,730			222,730	221,090
Building and grounds maintenance	157,683	3,598	2,736	164,017	107,903
Office expenses	89,519	16,012	40,472	146,003	115,279
Agency relations	101,686			101,686	120,709
Utilities	89,818	4,228	3,215	97,261	103,236
Inbound freight	79,519			79,519	75,206
Public relations	6,124	93	73,088	79,305	69,558
Insurance	57,666	10,226	10,741	78,633	68,172
In-kind expenses	31,650		36,028	67,678	92,702
Professional services	12,826	24,042	20,363	57,231	37,036
Training, conferences and education	21,946	3,736	16,976	42,658	32,279
Other supporting services	15,302	13,725	4,827	33,854	33,982
Contracted labor expense	30,921			30,921	23,466
Travel	12,444	1,018	1,350	14,812	8,783
Board expense		3,694		3,694	4,779
Total expenses before depreciation	<u>16,169,701</u>	<u>573,695</u>	<u>1,106,713</u>	<u>17,850,109</u>	<u>17,720,783</u>
Depreciation	<u>254,578</u>	<u>16,030</u>	<u>12,190</u>	<u>282,798</u>	<u>297,272</u>
Total expenses	<u>\$ 16,424,279</u>	<u>\$ 589,725</u>	<u>\$ 1,118,903</u>	<u>\$ 18,132,907</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, 2013

(with comparative totals for the year ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash received from contributions	\$ 3,537,965	\$ 3,275,912
Cash received from grants	1,340,339	1,322,356
Cash received from food sales	1,143,069	1,107,373
Cash received from fees and other programs	196,596	222,521
Cash paid for compensation and related expenses	(2,641,314)	(2,365,081)
Cash paid to suppliers	(2,134,309)	(2,205,684)
Cash paid for food inventory	(904,662)	(885,849)
Interest received	470	739
Interest paid	(873)	(1,949)
Net cash provided by operating activities	<u>537,281</u>	<u>470,338</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,990,309	379,676
Purchases of investments	(3,219,824)	(627,166)
Proceeds from sales of equipment	1,302	
Purchases of property and equipment	(234,553)	(342,900)
Net cash used by investing activities	<u>(462,766)</u>	<u>(590,390)</u>
Cash flows from financing activities		
Borrowings on line of credit	138,117	190,205
Repayments on line of credit	(138,117)	(190,205)
Principal payments on notes payable	(32,275)	(1,953)
Net cash used by financing activities	<u>(32,275)</u>	<u>(1,953)</u>
Net increase (decrease) in cash	42,240	(122,005)
Cash - beginning of year	<u>24,292</u>	<u>146,297</u>
Cash - end of year	<u>\$ 66,532</u>	<u>\$ 24,292</u>

Supplemental disclosures of non-cash operating and investing activities:

Donated food received	\$ 12,293,334	\$ 11,372,237
Donated food distributed	(11,965,328)	(12,421,416)
Donated in-kind property and equipment		7,500
Donated in-kind support and expense	(67,678)	(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, 2013
(with comparative totals for the year ended September 30, 2012)

	<u>2013</u>	<u>2012</u>
Change in net assets	\$ <u>555,613</u>	\$ <u>(499,415)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	282,798	297,272
Net unrealized gain on investments	(53,210)	(87,272)
Net loss on disposal of equipment	7,686	
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	1,140	17,159
Contributions receivable	27,500	(45,000)
Grants receivable	(80,231)	13,669
Inventory	(346,105)	1,023,051
Prepaid expenses	2,235	1,682
(Decrease) increase in:		
Accounts payable	92,029	(257,522)
Accrued expenses	47,826	7,313
Deferred revenue		<u>(599)</u>
Total adjustments	<u>(18,332)</u>	<u>969,753</u>
Net cash provided by operating activities	<u>\$ 537,281</u>	<u>\$ 470,338</u>

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

VERMONT FOODBANK
Notes to the Financial Statements
September 30, 2013

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.

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 year ended September 30, 2013, from a variety of sources including regional supermarket reclamation centers, local food processors and national manufactures 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.

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, 2013

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 2010-2012.

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, 2013

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 2013). 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, 2013

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 930 volunteers donated 14,464 hours of services to the Foodbank for the years ended September 30, 2013.

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, 2013, 64% of contributions receivable were due from one donor.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2013

3. Investments

The Foodbank had investments (all Level 1) as follows at September 30, 2013:

Cash and sweep balances	\$ 751,629
Certificates of deposit	105,879
Mutual funds of bonds	138,558
Mutual funds of international equities	104,729
Mutual funds of domestic equities	<u>412,577</u>
	<u>\$1,513,372</u>

Investment return consisted of the following for the year ended September 30, 2013:

Interest and dividends	\$17,805
Investment fees	<u>(4,549)</u>
Net investment income	<u>\$13,256</u>
Net unrealized gain on investments	<u>\$53,210</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, 2013:

Land, building and improvements	\$3,882,977
Furniture, fixtures and office equipment	340,896
Warehouse and kitchen equipment	694,900
Vehicles	<u>557,183</u>
	<u>5,475,956</u>
Less accumulated depreciation	<u>2,033,984</u>
Property and equipment, net	<u>\$3,441,972</u>

In the year ended September 30, 2013, the Foodbank disposed of \$131,467 of equipment, of which \$7,686 was not fully-depreciated and resulted as a loss on the statement of activities.

5. Line of Credit

The Foodbank has a \$400,000 unsecured line of credit available through Merchants Bank, which will mature in March 2014. The line of credit bears interest at the bank's base rate, subject to a minimum rate of 3.25%; the effective rate was 3.50% as of September 30, 2013. There was no amount outstanding under the line of credit agreement as of September 30, 2013.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2013

6. Notes Payable

Long-term debt consisted of the following at September 30, 2013:

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. \$ 26,667

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

2014	\$ 8,333
2015	8,333
2016	8,333
2017	<u>1,668</u>
	<u>\$26,667</u>

The Foodbank paid off two vehicle note payables totaling \$23,942 during the year ended September 30, 2013.

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.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$511,488 at September 30, 2013, 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 2014, February 2018, and January 2020. Base charges are approximately \$1,507 per week plus \$.06 - \$.075 per mile plus \$.75 - \$.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, 2013, was \$83,986.

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 \$8,586 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 \$148,656 for the year ended September 30, 2013.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2013

9. Operating Leases (Continued)

The Foodbank also has four different non-cancelable leases for their onsite copiers that expire at various dates through September 2017. 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 \$18,549 for the year ended September 30, 2013.

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>
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
2018	167,737	-0-	-0-	167,737
Thereafter	<u>10,724</u>	<u>-0-</u>	<u>-0-</u>	<u>10,724</u>
	<u>\$ 784,444</u>	<u>\$ 194,919</u>	<u>\$ 21,743</u>	<u>\$ 1,001,106</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.

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.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2013

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 2013, the Foodbank contributed 2.5% of salaries to the retirement accounts of all eligible employees. Pension expense for the year ended September 30, 2013, was \$46,171.

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, 2013:

	<u>TEFAP</u>	<u>CSFP</u>	<u>Total</u>
Federal commodities:			
Value of commodities in opening inventory	\$ 132,898	\$ 286,938	\$ 419,836
Value of commodities received	2,818,252	1,838,684	4,656,936
Value of commodities distributed	<u>(2,401,914)</u>	<u>(1,908,017)</u>	<u>(4,309,931)</u>
Value of commodities in ending inventory	\$ <u>549,236</u>	\$ <u>217,605</u>	\$ <u>766,841</u>
Federal expenditures:			
Value of commodities distributed	\$ 2,401,914	\$ 1,908,017	\$ 4,309,931
Monetary support received and expended	<u>94,323</u>	<u>230,572</u>	<u>324,895</u>
Total federal expenditures under these programs	\$ <u>2,496,237</u>	\$ <u>2,138,589</u>	\$ <u>4,634,826</u>

13. Subsequent Events

The Foodbank has evaluated subsequent events after the statement of financial position date of September 30, 2013, through January 9, 2014, 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, 2013

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>8,500</u>
Passed through Vermont Agency of Agriculture:			
Specialty Crop Block Grant	10.170	0220-SCBGP35-1	<u>3,200</u>
Passed through Vermont Agency of Education:			
Food Distribution Cluster:			
Commodities Supplemental Food Program - Cash	10.565	03460-6-1657	230,572
Commodities Supplemental Food Program - Food commodities	10.565		776,929
Emergency Food Assistance Program - Administrative costs	10.568	03440-39012-11-	94,323
Emergency Food Assistance Program - Food commodities	10.569	TEFAP	<u>1,304,791</u>
Total - Food Distribution Cluster			<u>2,406,615</u>
Summer Food Services Program	10.559		<u>9,389</u>
Total U.S. Department of Agriculture			\$ <u>2,427,704</u>
U.S. Department of Housing and Urban Development:			
Received directly:			
Economic Development Initiative	14.251		\$ <u>11,347</u>
Total Federal Awards Expended			\$ <u><u>2,439,051</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.