

THE FOOD BANK FOR WESTCHESTER, INC.

FINANCIAL STATEMENTS

June 30, 2011

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Independent Auditors' Report

To the Board of Directors
The Food Bank for Westchester, Inc.

We have audited the accompanying statement of financial position of The Food Bank for Westchester, Inc. (a not-for-profit organization) as of June 30, 2011 and the related statement of activities and changes in net assets, statement of functional expenses and statement of 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 Food Bank for Westchester, Inc.'s June 30, 2010 financial statements and, in our report dated September 30, 2010, 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Food Bank for Westchester, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Food Bank for Westchester, Inc. as of June 30, 2011 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.

Mount Kisco, New York
September 30, 2011

Victor J. Cannistra, CPA P.C.

THE FOOD BANK FOR WESTCHESTER, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2011

(With Comparative Totals as of June 30, 2010)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,112,588	\$ 1,602,786
Investments, at market (Note 3)	1,306,605	471,955
Accounts receivable (net of allowance for doubtful accounts of \$8,000 in 2011 and 2010)	140,745	133,497
Grants receivable	322,907	201,210
Pledge receivable (Note 4)	800,000	-
Food inventory (Note 10)	638,049	687,574
Prepaid expenses and other current assets	<u>64,845</u>	<u>20,106</u>
Total Current Assets	<u>4,385,739</u>	<u>3,117,128</u>
Fixed assets, net of accumulated depreciation of \$376,841 in 2011 and \$356,016 in 2010	<u>86,159</u>	<u>215,951</u>
Other Assets:		
Cash and cash equivalent – temporarily restricted	434,393	162,863
Investments - temporarily restricted (Note 3)	246,945	510,525
Investments – permanently restricted (Note 3)	60,000	-
Deposits	<u>49,094</u>	<u>19,094</u>
Total Assets	<u>\$ 5,262,330</u>	<u>\$ 4,025,561</u>
<u>LIABILITIES & NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 296,972	\$ 240,663
Deferred revenue (Note 6)	<u>188,801</u>	<u>117,017</u>
Total Current Liabilities	<u>485,773</u>	<u>357,680</u>
Commitments and Contingencies (Note 8)		
Net Assets (Notes 2 and 7):		
Unrestricted	3,235,219	2,994,493
Temporarily restricted	1,481,338	673,388
Permanently restricted	<u>60,000</u>	<u>-</u>
Total Net Assets	<u>4,776,557</u>	<u>3,667,881</u>
Total Liabilities and Net Assets	<u>\$ 5,262,330</u>	<u>\$ 4,025,561</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

THE FOOD BANK FOR WESTCHESTER, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	<u>2011</u>			<u>Total</u>	<u>2010 Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		
Support and Revenue:					
Governmental Support:					
New York State	\$	\$ 1,319,828	\$	\$ 1,319,828	\$ 1,074,041
U.S. Department of Agriculture Federal Emergency Management Agency		106,068		106,068	165,786
Westchester County		<u>104,813</u>		<u>104,813</u>	<u>86,146</u>
Total Governmental Support		<u>1,530,709</u>		<u>1,530,709</u>	<u>1,433,473</u>
Public Support:					
Corporate/foundation/ community/individual support	891,157	870,000	60,000	1,821,157	1,016,562
Special events	567,426			567,426	535,612
Capital Campaign (Note 12)		7,950		7,950	2,100
Direct mail contributions	356,986			356,986	332,506
Adopt a pantry program	197,409	300,000		497,409	186,859
Check Out Hunger Program	51,229			51,229	40,290
Other Programs	<u>169,328</u>	<u>30,000</u>		<u>199,328</u>	<u>78,032</u>
Total Public Support	<u>2,233,535</u>	<u>1,207,950</u>	<u>60,000</u>	<u>3,501,485</u>	<u>2,191,961</u>
Other Revenue:					
Food Program (Note 10)	5,211,430			5,211,430	4,615,025
Shared maintenance fees	65,180			65,180	99,768
Investment income	<u>111,477</u>	<u>4,754</u>	<u>4,150</u>	<u>120,381</u>	<u>37,719</u>
Total Other Revenue	<u>5,388,087</u>	<u>4,754</u>	<u>4,150</u>	<u>5,396,991</u>	<u>4,752,512</u>
Net Assets released from restrictions:					
Satisfaction of program restrictions	<u>1,939,613</u>	<u>(1,935,463)</u>	<u>(4,150)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>9,561,235</u>	<u>807,950</u>	<u>60,000</u>	<u>10,429,185</u>	<u>8,377,946</u>
Expenses:					
Program expenses (Page 4)	8,504,359			8,504,359	7,046,431
Support expenses (Page 4)	269,415			269,415	244,872
Fundraising expenses (Page 4)	<u>546,735</u>			<u>546,735</u>	<u>482,786</u>
Total Expenses	<u>9,320,509</u>			<u>9,320,509</u>	<u>7,774,089</u>
Increase (decrease) in Net Assets	240,726	807,950	60,000	1,108,676	603,857
Net Assets, beginning of fiscal year	<u>2,994,493</u>	<u>673,388</u>		<u>3,667,881</u>	<u>3,064,024</u>
Net Assets, end of fiscal year	<u>\$ 3,235,219</u>	<u>\$ 1,481,338</u>	<u>\$ 60,000</u>	<u>\$ 4,776,557</u>	<u>\$ 3,667,881</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

THE FOOD BANK FOR WESTCHESTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

(With Comparative Totals for the Year Ended June 30, 2010)

	2011				2010
	Program Services	Support Services	Fundraising	Total Expenses	Total Expenses
Expenses:					
Employee salaries	\$ 695,152	\$ 148,565	\$ 204,272	\$ 1,047,989	\$ 878,843
Payroll taxes	60,295	12,790	18,271	91,356	78,408
Fringe benefits	154,680	32,811	46,872	234,363	146,012
Employee insurance	19,249	4,083	5,833	29,165	20,019
Food expenses (Note 10)	6,052,287			6,052,287	5,306,919
Adopt-a-Pantry	433,393			433,393	197,139
Fundraising:					
Events & other			187,106	187,106	228,767
Direct mail			79,578	79,578	52,165
Support to agencies	167,221			167,221	174,268
Rent	135,000	15,000		150,000	149,833
Other program expenses	145,311			145,311	69,090
Vehicle expenses	127,133			127,133	93,462
Freight/trucking/handling	91,422			91,422	58,032
Building maintenance	71,825	7,980		79,805	72,514
General office supplies, maintenance & other	58,620	6,513		65,133	45,191
Utilities	56,959	6,329		63,288	51,885
Outside services	37,732	4,192		41,924	34,386
Dues and subscriptions	19,423	2,158		21,581	19,912
Insurance	19,307	2,145		21,452	23,823
Telephone	11,064	1,229		12,293	13,261
Postage	8,381	931	1,083	10,395	10,640
Printing	5,738	637	3,720	10,095	17,532
Professional fees		9,145		9,145	9,025
Depreciation and amortization	<u>134,167</u>	<u>14,907</u>	<u> </u>	<u>149,074</u>	<u>22,963</u>
Total Expenses	\$ <u>8,504,359</u>	\$ <u>269,415</u>	\$ <u>546,735</u>	\$ <u>9,320,509</u>	\$ <u>7,774,089</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

THE FOOD BANK FOR WESTCHESTER, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011
 (With Comparative Totals for the Year Ended June 30, 2010)
(Increase (decrease) in Cash and Cash Equivalents)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in Net Assets	\$ 1,108,676	\$ 603,857
Adjustments to reconcile increase (decrease) in Net Assets to net cash provided (used) by operating activities:		
Depreciation and amortization	149,074	22,963
(Increase) decrease in accounts receivable	(7,248)	(26,789)
(Increase) decrease in grants receivable	(121,697)	(79,166)
(Increase) decrease in pledge receivable	(800,000)	-
(Increase) decrease in food inventory	49,525	(29,218)
(Increase) decrease in prepaid expenses and other current assets	(44,739)	(3,803)
(Increase) decrease in deposits	(30,000)	-
Increase (decrease) in accounts payable and accrued expenses	56,309	40,526
Increase (decrease) in deferred revenue	<u>71,784</u>	<u>(83,577)</u>
Net cash provided (used) by operating activities	<u>431,684</u>	<u>444,793</u>
Cash flows from investing activities:		
(Increase) decrease in investments, at market	(631,070)	459,562
Purchase of fixed assets	<u>(19,282)</u>	<u>(18,904)</u>
Net cash provided (used) by investing activities	<u>(650,352)</u>	<u>440,658</u>
Net increase (decrease) in cash and cash equivalents	(218,668)	885,451
Cash and cash equivalents, beginning of fiscal year	<u>1,765,649</u>	<u>880,198</u>
Cash and cash equivalents, end of fiscal year	\$ <u>1,546,981</u>	\$ <u>1,765,649</u>

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ -0-	\$ -0-
Income taxes	\$ -0-	\$ -0-

The accompanying notes and independent auditors' report are an integral part of the financial statements.

THE FOOD BANK FOR WESTCHESTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1 – Description of Organization:

The Food Bank for Westchester, Inc. was incorporated on October 11, 1988 as a not-for-profit organization. The Food Bank for Westchester, Inc. obtains grants, contributions and food donations from a wide range of sources. They operate as a distribution center to over 200 emergency food programs in Westchester County, New York.

Note 2 – Summary of Significant Accounting Policies:

- a. The financial statements of The Food Bank for Westchester, Inc. have been prepared on the accrual basis of accounting. The accrual basis recognizes revenues when earned and expenses when the obligation is incurred. Support revenue is recognized as services are rendered and expenses are recognized as incurred.
- b. The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.
- c. The Food Bank for Westchester, Inc. considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.
- d. The breakdown of functional expenses into program services, and supporting services is as provided by management using their best estimates as to the appropriate allocation.
- e. A substantial number of volunteers made significant contributions of their time to The Food Bank for Westchester, Inc.'s programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.
- f. The financial statement presentation of The Food Bank for Westchester, Inc. follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No.117, "Financial Statements of Not-For-Profit Organizations." Under SFAS No. 117, The Food Bank for Westchester, Inc. is required to report 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, based on the existence or absence of donor imposed restrictions.
- g. Certain reclassifications may have been made to some prior year account balances in order to conform to current year presentation.

THE FOOD BANK FOR WESTCHESTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2 – Summary of Significant Accounting Policies (continued):

- h. Subsequent events have been evaluated through September 30, 2011, which is the date the financial statements were available to be issued.

Note 3 – Investments:

Investments are stated at fair market value. Unrealized gains or losses are reflected in the statement of activities.

The Food Bank for Westchester, Inc. adopted the provisions pertaining to fair value measurements and disclosures (ASC Topic 820), previously know as Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. Topic 820 offers a framework consisting of a three tier hierarchy of inputs (Level 1, Level 2 and Level 3) to be used in determining the fair market value of assets and liabilities for disclosed purposes. The following is a summary of the fair value hierarchy of inputs:

Fair value measurements based on Level 1 inputs: Includes quoted prices in active markets for identical assets or liabilities to which the company has access at the measurement date.

Fair value measurement based on Level 2 inputs: Includes inputs other than quoted market prices that are directly or indirectly observable for the assets or liability, including quoted prices in an active market for similar assets or liabilities; quoted prices in a market that is not active for the same or similar assets or liabilities; inputs other than quoted market prices that are observable for the asset or liability.

Fair value measurements based on Level 3 inputs: Includes unobservable inputs reflecting the assumptions that a market participant would use to price the asset or liability.

The following table provides the fair value hierarchy of The Food Bank for Westchester Inc.'s financial assets as of June 30, 2011:

<u>Financial Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 1,001,338			\$ 1,001,338
Common & preferred stocks	296,677			296,677
Government securities	179,855			179,855
Mutual funds	<u>135,680</u>	<u> </u>	<u> </u>	<u>135,680</u>
Total	\$ <u>1,613,550</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>1,613,550</u>

THE FOOD BANK FOR WESTCHESTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4 – Pledge Receivable:

During fiscal year June 30, 2011, The Food Bank for Westchester, Inc. received a pledge of \$1,200,000. The pledge is payable over a three year period of \$100,000 per quarter from September 1, 2010 through June 1, 2013. The contribution has been recorded in the Statement of Activities and Changes in Net Assets as temporarily restricted support and a pledge receivable has been reflected in the Statement of Financial Position. Expenses directly related to the programs supported by the pledge will be incurred over the fiscal years ending June 30, 2011 through 2013, with proportionate amounts to be released from restrictions in each of the next two years.

Note 5 – Fixed Assets:

Fixed assets are carried at cost, net of accumulated depreciation. Depreciation is recorded using the straight-line method based on the useful lives of the assets, which is estimated to be 3-5 years. Leasehold improvements are amortized based on the term of the applicable lease.

Fixed assets and related accumulated depreciation are as follows:

	<u>2011</u>	<u>2010</u>
Equipment and furniture	\$ 397,321	\$ 382,714
Vehicle	26,067	26,067
Leasehold improvements	39,612	34,937
Building development costs	<u>-</u>	<u>128,249</u>
	463,000	571,967
Less accumulated depreciation	<u>(376,841)</u>	<u>(356,016)</u>
Net fixed assets	\$ <u>86,159</u>	\$ <u>215,951</u>

The Food Bank for Westchester, Inc. has entered into a long-term lease agreement for its operations and has written off \$128,249 of building development costs in fiscal year ended June 30, 2011.

Note 6 – Deferred Revenue:

Deferred revenue represents revenue received in the prior and current fiscal year by The Food Bank for Westchester, Inc. that is applicable to a subsequent fiscal years.

Note 7 – Restrictions on Assets:

The Food Bank for Westchester, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE FOOD BANK FOR WESTCHESTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7 – Restrictions on Assets (continued):

The Food Bank for Westchester, Inc. reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, The Food Bank for Westchester, Inc. reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Temporarily restricted net assets are designated for the following purposes by donors:

Capital campaign (Note 12)	\$ 681,338
Staffing expenses	497,088
Adopt-A-Pantry	200,000
Truck leasing expenses	82,912
Food Growing Project	<u>20,000</u>
	<u>\$ 1,481,338</u>

In November 2010, The Food Bank for Westchester, Inc. received a permanently restricted gift annuity in the amount of \$60,000. The funds have been invested in a donor-advised Morgan Stanley account and all interest and dividends can be used by The Food Bank for Westchester, Inc.

Note 8 – Commitments & Contingencies:

- a. Pursuant to The Food Bank for Westchester Inc.'s contractual relationships with certain funding sources, outside agencies have the right to examine the books and records of The Food Bank for Westchester, Inc. involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of Management, any actual disallowances would be immaterial.
- b. The Food Bank for Westchester, Inc. leases vehicles and equipment, with future annual lease payments as follows:

June 30, 2012	\$ 64,626
June 30, 2013	53,397
June 30, 2014	39,204
June 30, 2015	33,300
June 30, 2016	11,691

THE FOOD BANK FOR WESTCHESTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8 – Commitments & Contingencies (continued):

- c. On June 30, 2011, The Food Bank for Westchester, Inc. signed a lease for office and warehouse facilities located in Elmsford, New York. The term of the lease is for 10 years and 6 months and commencement date of the lease is expected to begin February 2012 with future annual lease payments as follows:

June 30, 2012	\$ 158,217
June 30, 2013	382,472
June 30, 2014	397,759
June 30, 2015	406,931
June 30, 2016	416,103
Thereafter	<u>2,609,435</u>
	\$ <u>4,370,917</u>

Note 9 – Concentration of Credit Risk:

Financial instruments that potentially subject The Food Bank for Westchester, Inc. to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time may exceed the Federal depository insurance coverage limit.

Note 10 – Contributed Food:

The Food Bank for Westchester, Inc. receives significant quantities of donated food from the United States Department of Agriculture (“USDA”) and Feeding America, a not-for-profit 501(c)(3) organization. The Food Bank for Westchester, Inc.’s inventory consists of purchased food and donated food items, primarily from the USDA and Feeding America. All donated food over which it has control (i.e. variance control) is recorded as unrestricted revenue when received and is recorded as an expense when distributed to various food pantries. All non-USDA donated food received is valued using a study provided by Feeding America. The average wholesale value of \$1.66 and \$1.60 per pound for the years ended June 30, 2011 and June 30, 2010, respectively were used to calculate a fair market value for donated food recorded in the accompanying financial statements. This estimated wholesale value was calculated by other auditors who issued an independent accountants report on applying agreed upon procedures dated July 11, 2011 and August 10, 2010 for the fiscal years ended June 30, 2011 and June 30, 2010, respectively. All USDA food received has been valued based on average wholesale value provided by the USDA.

THE FOOD BANK FOR WESTCHESTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 10—Contributed Food (continued):

Food purchased is recorded in inventory at the lower of cost or fair market value as of June 30, 2011. Cost is determined using the First in—First out (FIFO) method. All donated food is recorded as described in the preceding paragraph.

Note 11—Income Taxes:

The Food Bank for Westchester, Inc. was formed under Section 402 of the Not-For-Profit Corporation Law of the State of New York and is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Food Bank for Westchester, Inc. is registered with the New York State Department of State Office of Charities Registration.

The Food Bank for Westchester, Inc. adopted the provision pertaining to uncertain tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Note 12—Capital Campaign:

The Food Bank for Westchester, Inc. conducted a capital campaign to raise funds for the construction of a food warehouse and office building. Due to the current economic climate, the Board of Directors has decided to lease warehouse and office space. The Food Bank for Westchester, Inc. has received permission from all donors to adjust the designation of the funds received for renovations, upgrades and equipment in the new location. Capital campaign contributions received for the year ended June 30, 2011 and June 30, 2010 totaled \$7,950 and \$2,100, respectively.

Note 13—Retirement Plan:

The Food Bank for Westchester, Inc. has a 403(b) plan to provide a retirement savings vehicle for its employees. Employees may defer a portion of their salary up to certain limits. For the year ended June 30, 2011, the Food Bank for Westchester, Inc. made a \$39,241 contribution on behalf of the employees.

Note 14—Comparative Totals:

The amounts shown for the year ended June 30, 2010 in the accompanying financial statements are included to provide a basis for comparison with June 30, 2011 and present summarized totals only. Accordingly, the June 30, 2010 amounts are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America.