

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

**Consolidated Financial Statements and Supplementary Information
For the Year Ended June 30, 2013
And Summarized Financial Information
For the Year Ended June 30, 2012
With Report of Independent Auditors**

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Consolidated Financial Statements

For the Year Ended June 30, 2013

TABLE OF CONTENTS

	<u>Page(s)</u>
REPORT OF INDEPENDENT AUDITORS	1–2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7–27
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position	28
Consolidating Statement of Activities	29

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Food Bank For New York City and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Food Bank For New York City and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. 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 involves performing procedures to obtain 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 principles 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 consolidated financial position of Food Bank For New York City and Subsidiary at June 30, 2013, and the consolidated changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Food Bank For New York City and Subsidiary's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 15, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mitchell & Titus, LLP

February 13, 2014

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 6,194,032	\$ 4,168,473
Investments	4,558,210	4,306,534
Government grants receivable	2,934,588	3,475,824
Contributions receivable	1,480,233	1,889,730
Accounts receivable, less allowance for doubtful accounts of \$11,029 in 2012	146,759	147,023
Prepaid expenses and other assets	357,375	448,107
Security deposits	131,728	127,424
Purchased products inventory	2,428,040	1,026,843
Donated products inventory	797,139	1,606,119
Property and equipment, net	4,258,902	4,423,040
Investment in Hunts Point Cooperative Market, Inc. (HPCM), net	255,319	279,370
Deferred mortgage costs	20,282	21,294
Total assets	<u><u>\$ 23,562,607</u></u>	<u><u>\$ 21,919,781</u></u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Accounts payable and accrued expenses	\$ 2,808,043	\$ 932,290
Accrued salaries and employee benefits	974,612	888,155
Contract advances	174,056	174,056
Deferred rent	595,450	430,562
Mortgage loan payable	2,363,841	2,418,952
Total liabilities	<u>6,916,002</u>	<u>4,844,015</u>
<i>Net assets</i>		
Unrestricted		
Board-designated	4,250,000	4,000,000
Property and equipment and investment in HPCM	4,514,221	4,702,410
Undesignated	5,451,463	5,626,619
Total unrestricted	<u>14,215,684</u>	<u>14,329,029</u>
Temporarily restricted	2,380,921	2,696,737
Permanently restricted	50,000	50,000
Total net assets	<u>16,646,605</u>	<u>17,075,766</u>
Total liabilities and net assets	<u><u>\$ 23,562,607</u></u>	<u><u>\$ 21,919,781</u></u>

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

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
Consolidated Statement of Activities
For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2013</u>	<u>2012</u>
OPERATING SUPPORT AND REVENUE, EXCLUDING DONATED FOOD RECEIVED					
<i>Support</i>					
Foundations and corporations (includes in-kind contributions and donated services of \$498,824 in 2013 and \$386,411 in 2012)	\$ 10,784,509	\$ 3,342,765	\$ -	\$ 14,127,274	\$ 8,687,018
Individuals	8,791,624	-	-	8,791,624	6,280,669
Special events (includes in-kind contributions of \$446,477 in 2013 and \$0 in 2012; net of direct costs of \$906,841 in 2013 and \$392,517 in 2012)	2,002,066	-	-	2,002,066	1,555,533
Net assets released from restrictions	3,474,400	(3,474,400)	-	-	-
Total support	<u>25,052,599</u>	<u>(131,635)</u>	<u>-</u>	<u>24,920,964</u>	<u>16,523,220</u>
<i>Revenue</i>					
Government contracts	15,480,083	-	-	15,480,083	15,037,705
Shared maintenance	137,978	-	-	137,978	372,213
Sale of food and paper products	1,243,940	-	-	1,243,940	1,521,625
Other income	81,365	-	-	81,365	54,317
Total revenue	<u>16,943,366</u>	<u>-</u>	<u>-</u>	<u>16,943,366</u>	<u>16,985,860</u>
Total support and revenue, excluding donated food received	41,995,965	(131,635)	-	41,864,330	33,509,080
OPERATING EXPENSES, EXCLUDING DONATED FOOD DISTRIBUTED					
<i>Program services, excluding donated food distributed</i>					
Distribution and storage of food	19,199,835	-	-	19,199,835	15,670,842
Research and policy	2,744,369	-	-	2,744,369	1,790,702
Nutrition services and education	3,620,816	-	-	3,620,816	3,684,748
Community kitchen and pantry	1,527,196	-	-	1,527,196	1,452,669
Income policy	3,027,101	-	-	3,027,101	2,076,301
Benefit access	2,699,966	-	-	2,699,966	1,732,185
Total program services excluding donated food	<u>32,819,283</u>	<u>-</u>	<u>-</u>	<u>32,819,283</u>	<u>26,407,447</u>
<i>Supporting services</i>					
Management and general	5,468,600	-	-	5,468,600	3,956,035
Fundraising	3,240,871	-	-	3,240,871	3,115,555
Total supporting services	<u>8,709,471</u>	<u>-</u>	<u>-</u>	<u>8,709,471</u>	<u>7,071,590</u>
Total expenses, excluding donated food distributed	<u>41,528,754</u>	<u>-</u>	<u>-</u>	<u>41,528,754</u>	<u>33,479,037</u>
Change in net assets—operating, excluding donated food	467,211	(131,635)	-	335,576	30,043
DONATED FOOD					
Donated food received	32,172,954	-	-	32,172,954	41,728,441
Donated food distributed	(32,981,935)	-	-	(32,981,935)	(41,769,883)
Change in net assets—donated food	<u>(808,981)</u>	<u>-</u>	<u>-</u>	<u>(808,981)</u>	<u>(41,442)</u>
Change in net assets—operating	(341,770)	(131,635)	-	(473,405)	(11,399)
NON-OPERATING SUPPORT AND REVENUE					
<i>Support for capital expenditures</i>					
Foundations and corporations	-	-	-	-	200,000
Net assets released from restrictions	185,491	(185,491)	-	-	-
<i>Other non-operating</i>					
Investment income	42,934	1,310	-	44,244	38,113
Change in net assets—non-operating	<u>228,425</u>	<u>(184,181)</u>	<u>-</u>	<u>44,244</u>	<u>238,113</u>
Change in net assets	(113,345)	(315,816)	-	(429,161)	226,714
Net assets, beginning of year	<u>14,329,029</u>	<u>2,696,737</u>	<u>50,000</u>	<u>17,075,766</u>	<u>16,849,052</u>
Net assets, end of year	<u>\$ 14,215,684</u>	<u>\$ 2,380,921</u>	<u>\$ 50,000</u>	<u>\$ 16,646,605</u>	<u>\$ 17,075,766</u>

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

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	Program Services						Supporting Services				Total	
	Distribution and Food Storage	Research and Policy	Nutrition Services and Education	Community Kitchen and Pantry	Income Policy	Benefit Access	Total Program Services	Management and General	Fund Raising	Total Supporting Services	2013	2012
Donated food distributed	\$ 32,981,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,981,935	\$ -	\$ -	\$ -	\$ 32,981,935	\$ 41,769,883
Salaries and fringe benefits	2,937,758	844,297	1,314,049	665,253	448,391	1,622,510	7,832,258	2,559,427	1,813,675	4,373,102	12,205,360	12,055,179
Temporary labor	5,061	5,443	-	451	2,083,378	7,391	2,101,724	11,082	3,706	14,788	2,116,512	1,636,470
Feeding America fees	29,206	-	-	-	-	-	29,206	1,185	-	1,185	30,391	45,721
Warehouse	84,072	-	-	2,140	-	-	86,212	608	-	608	86,820	150,063
Food delivery costs	2,249,179	-	-	-	-	-	2,249,179	-	-	-	2,249,179	2,332,147
Incoming freight	531,152	-	-	-	-	-	531,152	975	-	975	532,127	732,186
Value-added product costs	789,837	-	-	-	-	-	789,837	-	-	-	789,837	850,944
Occupancy costs	1,526,089	46,562	131,766	57,484	47,453	121,988	1,931,342	393,580	91,063	484,643	2,415,985	2,223,103
Food purchased for distribution	10,462,710	-	19,524	46,696	-	-	10,528,930	-	-	-	10,528,930	5,625,433
Food purchased for other programs	-	-	398,122	612,042	-	-	1,010,164	-	-	-	1,010,164	715,034
Sponsorship	-	-	-	-	-	-	-	-	-	-	-	96,925
Insurance	56,816	-	11,140	16,711	11,140	11,140	106,947	29,202	2,228	31,430	138,377	75,962
Interest	-	-	-	-	-	-	-	155,359	-	155,359	155,359	158,822
Direct mail	-	-	-	-	-	-	-	190	920,029	920,219	920,219	841,516
Consultant and professional fees	43,698	739,400	251,072	1,520	28,356	28,821	1,092,867	973,703	162,699	1,136,402	2,229,269	2,126,944
Public awareness	-	-	-	-	-	-	-	170	-	170	170	16,827
Media and design services	1,947	-	6,000	-	-	-	7,947	135,693	5,585	141,278	149,225	157,478
Annual conference	155,145	-	-	-	-	2,003	157,148	10,152	-	10,152	167,300	181,423
Professional development	1,575	23,051	7,275	102	11,010	8,923	51,936	61,731	6,975	68,706	120,642	80,919
Site monitoring and local travel	-	1,300	2,976	-	3,904	6,734	14,914	830	2,609	3,439	18,353	4,539
Computer and website maintenance	4,552	309	-	-	1,598	198	6,657	152,102	1,671	153,773	160,430	116,093
Advertising	-	-	-	-	-	-	-	-	2,600	2,600	2,600	94,140
Other program expenses	14,344	1,028,733	1,323,304	10,816	281,067	741,790	3,400,054	64,953	17,737	82,690	3,482,744	1,393,857
Other administrative	142,192	38,052	12,551	5,177	88,242	24,037	310,251	842,824	156,392	999,216	1,309,467	1,103,816
Total expenses before depreciation and amortization	52,017,268	2,727,147	3,477,779	1,418,392	3,004,539	2,575,535	65,220,660	5,393,766	3,186,969	8,580,735	73,801,395	74,585,424
Depreciation and amortization	164,502	17,222	143,037	108,804	22,562	124,431	580,558	74,834	53,902	128,736	709,294	663,496
Total expenses	\$ 52,181,770	\$ 2,744,369	\$ 3,620,816	\$ 1,527,196	\$ 3,027,101	\$ 2,699,966	\$ 65,801,218	\$ 5,468,600	\$ 3,240,871	\$ 8,709,471	\$ 74,510,689	\$ 75,248,920
<i>Presented in the consolidated statement of activities as follows</i>												
Expenses, excluding donated food distributed	\$ 19,199,835	\$ 2,744,369	\$ 3,620,816	\$ 1,527,196	\$ 3,027,101	\$ 2,699,966	\$ 32,819,283	\$ 5,468,600	\$ 3,240,871	\$ 8,709,471	\$ 41,528,754	\$ 33,479,037
Donated food distributed	\$ 32,981,935	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,981,935	\$ -	\$ -	\$ -	\$ 32,981,935	\$ 41,769,883

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

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (429,161)	\$ 226,714
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Public support for capital expenditures presented under investing activities	-	(200,000)
Depreciation and amortization	709,294	663,496
Amortization of deferred mortgage costs	1,012	1,012
Net realized and unrealized loss on investments	1,102	16,246
Donated property and equipment	(90,000)	-
Decrease in government grants receivable	541,236	819,315
Decrease (increase) in contributions receivable	409,497	(74,905)
Decrease (increase) in accounts receivable	264	(41,308)
Decrease in prepaid expenses and other assets	90,732	4,141
Increase in security deposits	(4,304)	(45,878)
(Increase) decrease in purchased products inventory	(1,401,197)	255,544
Decrease in donated food inventory	808,980	41,442
Increase in accounts payable and accrued expenses	1,875,753	130,972
Increase in accrued salaries and employee benefits	86,457	20,010
Increase in contract advances	-	75,816
Increase in deferred rent	164,888	214,153
Net cash provided by operating activities	<u>2,764,553</u>	<u>2,106,770</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Public support received for capital expenditures	-	200,000
Proceeds from sales and maturity of investments	1,289,733	1,574,021
Acquisition of investments	(1,542,511)	(2,838,360)
Additions to property and equipment	(431,105)	(1,060,195)
Net cash used in investing activities	<u>(683,883)</u>	<u>(2,124,534)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of mortgage principal	(55,111)	(51,647)
Net cash used in financing activities	<u>(55,111)</u>	<u>(51,647)</u>
Net increase (decrease) in cash and cash equivalents	2,025,559	(69,411)
Cash and cash equivalents, beginning of year	4,168,473	4,237,884
Cash and cash equivalents, end of year	<u>\$ 6,194,032</u>	<u>\$ 4,168,473</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	<u>\$ 155,359</u>	<u>\$ 158,822</u>

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

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Organization

Food Bank For New York City (Food Bank NYC) was incorporated in the State of New York in 1983 pursuant to the Not-for-Profit Corporation Law. Food Bank NYC was determined to be a publicly supported organization by the Internal Revenue Service (IRS) and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Incorporated in New York State in 2000, Community Food Resources Center Property, Inc. (CFRC) is a wholly owned subsidiary of Food Bank NYC. CFRC is a Section 501(c)(2) organization whose purpose is to hold title to property and turn over all of its earnings, less expenses, to Food Bank NYC.

Nature of Activities

Food Bank NYC solicits, collects, stores, and distributes surplus and donated food products to qualified tax-exempt organizations that provide free food to the poor, ill, needy, homeless, or homebound. It advocates for improved government policies and programs, while its programs and services promote access to nutritious food and adequate income for all New Yorkers. Food Bank NYC is funded substantially through grants and contracts awarded by government agencies, private foundations, corporations, and individuals.

The mission of Food Bank NYC is to end hunger by organizing food, information, and support for community survival and dignity. In addition to its established food sourcing, warehousing, and distribution operation, Food Bank NYC conducts the following programs and services:

Community Kitchen and Food Pantry: Opened in 1984, the Community Kitchen and Food Pantry of West Harlem (the Kitchen) is a resource and service center for members of the West Harlem community. The Kitchen operates five innovative programs: a five-days-per-week congregate meal program; a consumer choice food pantry; the Positive Living Program for people with HIV/AIDS; a community-supported agriculture program; and a program connecting individuals and families to income support programs, including food stamps, health care enrollment, financial counseling, tax assistance, and rent, mortgage and utility assistance.

Food and Benefits Access: Food Bank NYC provides services to inform and educate low-income New Yorkers about government food assistance programs and to help communities move toward more sustainable solutions to combat food poverty. It also conducts Food Stamp Program training and provides technical assistance on eligibility screening for community-based organizations. In addition, its services are provided directly to thousands of clients annually.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES *(continued)*

Nature of Activities *(continued)*

Food and Nutrition Services and Education: Food Bank NYC provides nutrition education for children, teens and adults, encourages the development of healthy diets, and promotes healthy eating in low-income communities using social marketing and media. Food Bank NYC's core nutrition education program is CookShop, which reaches approximately 30,000 low-income children, teens, and adults across New York City. This program includes: CookShop Classroom, a set of nutrition education curricula being taught in more than 1,300 classrooms in public elementary schools and after-school programs citywide; CookShop for Adults, a complementary curriculum that brings nutrition education to parents and caregivers at participating CookShop schools; CookShop for Teens, or EATWISE (Educated and Aware Teens Who Inspire Smart Eating), a peer-based nutrition education and leadership development program targeting high school-age youth; and CookShop Social Marketing, which uses diverse media in schools and communities to reach more than 125,000 teens with messages promoting healthy food choices.

Income Policy: An essential part of Food Bank NYC's income efforts, the Income Policy Program, provides low- to moderate-income New Yorkers with free tax preparation services, as well as information on how to access the various credits that they are entitled. As evidenced by the Earned Income Tax Credit (EITC) program, which alone can be worth up to thousands of dollars for families, Food Bank NYC's free and low-cost tax services for the working poor can be a significant step up from food poverty and enable individuals to begin creating a viable financial future.

Food Bank NYC is a member of Feeding America, the Nation's Food Bank Network, and the Food Bank Association of New York State. Food Bank NYC utilizes the information provided by Feeding America in determining the value of its donated inventory.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The accompanying consolidated financial statements consist of the accounts of Food Bank NYC and CFRC (collectively, Food Bank). The consolidated statement of activities segregates Food Bank's operating and non-operating activities. In presenting the operating activity, the receipt and distribution of donated food is reported separately. Its non-operating activities include funds received for capital projects or software development and its income from investments.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Accounting and Financial Statement Presentation *(continued)*

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Accordingly, such information should be read in conjunction with Food Bank's consolidated financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Net Asset Classification

Food Bank's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, its net assets and the changes therein are classified and reported as follows:

Unrestricted: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted: Net assets subject to donor-imposed stipulations that would be met by Food Bank's actions and/or the passage of time and unappropriated investment income of permanently restricted net assets.

Permanently restricted: Net assets subject to donor-imposed stipulations requiring that they be maintained permanently by Food Bank.

Contributions and Revenue Recognition

Contributions are recorded as revenue at their fair value when received or promised (pledged) unconditionally. Gifts received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted support. When a restriction expires (that is, when a stipulated time or purpose restriction is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Donated Assets and Other In-kind Contributions

Donated food, financial instruments, and other non-cash items are recorded as contributions at fair value at the time of receipt. The fair value of donated food is calculated by utilizing the approximate average wholesale value of one pound of donated product at the national level (see Note 8).

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Donated Assets and Other In-kind Contributions

Food Bank also received donated vehicles valued at \$90,000 during fiscal year 2013 and air travel vouchers valued at \$50,000 during fiscal year 2012.

Contributed Services

Contributed services that meet the appropriate criteria are recorded as contributions and expenses at fair value at the time the services are rendered.

Members of the Board of Directors (the Board) and a substantial number of volunteers have made significant contributions of their time in support of Food Bank. The value of this contributed time is not reflected in these consolidated financial statements since these services do not meet the following criteria for recognition: (a) create or enhance non-financial assets or (b) require specialized skills provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Food Bank recognized contributed legal services amounting to approximately \$406,000 and \$242,000 as in-kind contributions in the accompanying consolidated statement of activities for the years ended June 30, 2013 and 2012, respectively.

Government Contracts

Revenue from cost reimbursement-based government contracts is recognized when reimbursable costs are incurred under the terms of the contracts. Revenue from performance-based government contracts is recognized when performance objectives pursuant to the contract have been accomplished. Contract payments received in excess of qualified cost or performance are accounted for as contract advances.

Government-provided Products

Food Bank NYC receives food commodities for distribution to designated recipients under the Emergency Food and Assistance Program (TEFAP), granted by New York State, and under the Emergency Food and Assistance Program (EFAP), granted by New York City. These commodities are considered pass-through products and are not included in the accompanying consolidated financial statements. Food Bank NYC is responsible for safekeeping government food products held in inventory. Food Bank receives reimbursement from the State of New York and New York City for administrative costs incurred in the receipt, storage, and distribution of these products.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash Equivalents

Food Bank considers money market fund investments and all highly liquid debt instruments with a maturity of three months or less on the date of acquisition to be cash equivalents.

Investments

Investments held by Food Bank are stated at fair value. Fair value is determined based on published unit values or quoted market prices. Donated securities are recorded at their quoted market value on the date they are received. Realized and unrealized gains and losses are included in the consolidated statement of activities as increases or decreases in the unrestricted class of net assets. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

Allowance for Doubtful Accounts

An allowance for uncollectible Food Bank member accounts is made in amounts approximating anticipated losses. The allowance is based on several factors, including, but not limited to, the age of the receivable and Food Bank's historical collection experience. Individual Food Bank member accounts are written off against the allowance when the accounts are determined to be uncollectible.

The allowance for doubtful accounts provided on Food Bank member accounts amounted to \$0 and \$11,029 as of June 30, 2013 and 2012, respectively. No allowance for doubtful accounts was considered necessary for government contracts and contributions receivable.

Purchased Products Inventory

Purchased products inventory consists of food and food service supplies used to fulfill obligations under certain government contracts and for resale to member organizations. Inventory is stated at the lower of cost or market using the first-in, first-out method.

Reimbursements received for products delivered under government contracts and proceeds from sales to member organizations are recognized as revenue, while related costs are included in program services as distribution and food storage.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at cost. Depreciation and amortization are provided on a straight-line basis over the shorter of the term of the lease or the following estimated useful lives of the assets:

	<u>Years</u>
Furniture, office equipment, and computers	5
Warehouse equipment	5
Vehicles	3-7
Leasehold improvements	3-30
Building	40
Building improvements	10-40

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on usage or other equitable bases established by management.

Income Tax

Food Bank NYC and CFRC qualify as charitable organizations as defined by IRC Sections 501(c)(3) and 501(c)(2), respectively. As such, both are exempt from Federal and state income taxes.

Management has analyzed the tax positions taken by these entities and has concluded that as of June 30, 2013, there were no uncertain tax positions taken or expected to be taken. Accordingly, no interest or penalties related to uncertain tax positions were accrued in the accompanying consolidated financial statements.

Food Bank NYC and CFRC are subject to audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress. Management believes that both entities are no longer subject to income tax examinations for years ended on or prior to June 30, 2009 under Federal and New York tax jurisdictions.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires Food Bank's 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the 2012 summarized financial information have been reclassified to conform to the 2013 presentation.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand accounts, cash, and money market fund investments, which were maintained at three financial institutions at June 30, 2013.

NOTE 4 INVESTMENTS

The following summarizes investments held at June 30, 2013 and 2012:

	<u>At Fair Value</u>	
	<u>2013</u>	<u>2012</u>
Certificates of deposit	\$ 4,554,019	\$ 4,303,526
Equities	<u>4,191</u>	<u>3,008</u>
Total	<u>\$ 4,558,210</u>	<u>\$ 4,306,534</u>

Investments are managed by a financial institution. The certificates of deposit are invested in several banking institutions, with no deposit in any one bank exceeding the Federal Deposit Insurance Corporation insured amount of \$250,000.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 4 INVESTMENTS *(continued)*

Investment income (loss) during the year consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest income	\$ 45,346	\$ 54,359
Net realized (loss) gain on investments	(379)	616
Net unrealized loss on investments	<u>(723)</u>	<u>(16,862)</u>
Total	<u>\$ 44,244</u>	<u>\$ 38,113</u>

NOTE 5 FAIR VALUE MEASUREMENTS

Food Bank accounts for fair value measurements under the accounting standard that establishes a hierarchy for the inputs used to measure fair value based on the nature of the data input, which generally ranges from quoted prices for identical instruments in a principal trading market (Level 1) to estimates determined using related market data (Level 3). Multiple inputs may be used to measure fair value.

Level 1: Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Level 2: Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

Level 3: Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

Changes in valuation techniques may result in transfers in or out of an assigned level within the hierarchy.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 5 FAIR VALUE MEASUREMENTS (continued)

The tables below present the fair value hierarchy of Food Bank's financial assets as of June 30, 2013 and 2012.

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 360,880	\$ -	\$ -	\$ 360,880
<i>Investments</i>				
Certificates of deposit	-	4,554,019	-	4,554,019
Equity	4,191	-	-	4,191
	<u>4,191</u>	<u>4,554,019</u>	<u>-</u>	<u>4,558,210</u>
Total	<u>\$ 365,071</u>	<u>\$ 4,554,019</u>	<u>\$ -</u>	<u>\$ 4,919,090</u>

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 391,655	\$ -	\$ -	\$ 391,655
<i>Investments</i>				
Certificates of deposit	-	4,303,526	-	4,303,526
Equity	3,008	-	-	3,008
	<u>3,008</u>	<u>4,303,526</u>	<u>-</u>	<u>4,306,534</u>
Total	<u>\$ 394,663</u>	<u>\$ 4,303,526</u>	<u>\$ -</u>	<u>\$ 4,698,189</u>

The investments in certificates of deposits are stated at cost, which approximates fair value.

NOTE 6 GOVERNMENT CONTRACTS

Revenue recognized from government contracts totaled \$15,480,083 and \$15,037,705 in 2013 and 2012, respectively, and consisted of:

	<u>2013</u>	<u>2012</u>
New York City Human Resources Administration		
Emergency Food Assistance Program (City)		
Service fees	\$ 1,308,176	\$ 1,362,306
New York State Department of Health Division of		
Nutrition, Hunger Prevention Nutrition Assistance		
Program (Federal/State)		
Service fees	2,528,792	2,077,374
Food costs	1,379,631	1,526,866

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 6 GOVERNMENT CONTRACTS *(continued)*

	<u>2013</u>	<u>2012</u>
State of New York Office of General Services		
Division of Food Distribution and Warehousing		
The Emergency Food Assistance Program (Federal)		
Service fees	\$ 2,591,849	\$ 2,606,846
Emergency Food and Shelter Program (Federal)		
Service fees	92,495	39,203
Food costs	127,515	174,797
New York City Human Resources Administration		
City Council Discretionary Grant Program (City)		
Service fees	93,171	93,445
Food costs	1,206,553	1,206,453
New York City Human Resources Administration	4,585,544	4,714,102
New York State Department of Health	81,955	72,796
New York City Department for the Aging	216,035	-
New York City Council	100,000	100,000
New York City Department of Consumer Affairs	50,000	-
United Way Targeted Food Stamp Outreach Program	545,781	483,616
U.S. Department of Agriculture	30,725	98,899
Mayor's Fund to Advance New York City	438,663	225,094
Internal Revenue Service	94,000	94,000
New York City Economic Development Corporation	9,198	161,908
	<u>\$ 15,480,083</u>	<u>\$ 15,037,705</u>

Government contracts receivable amounted to \$2,934,588 and \$3,475,824 at June 30, 2013 and 2012, respectively.

Cost reimbursable contracts applicable to various programs conducted for, and on behalf of, New York State and New York City governmental agencies are subject to adjustments for disallowed costs, if any, based on the results of audits by the agencies. Management believes that the results of such audits would not have a material effect on the accompanying consolidated financial statements.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 7 CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	<u>2013</u>	<u>2012</u>
Due less than one year	\$ 1,360,233	\$ 1,540,230
Due between one year and five years	<u>120,000</u>	<u>349,500</u>
Total	<u>\$ 1,480,233</u>	<u>\$ 1,889,730</u>

The amounts due between one year and five years are stated at face value. The applicable present value discount is not material to the consolidated financial statements.

NOTE 8 FOOD AND OTHER PRODUCTS DISTRIBUTION PROGRAM

Food and other products distributed by Food Bank are provided by various sources, such as donations from the food industry, public food drives, food purchases by Food Bank, and government-provided products. The total pounds and value of products distributed to almost 1,000 feeding programs for the years ended June 30, 2013 and 2012 were as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Poundage*</u>	<u>Value</u>	<u>Poundage*</u>	<u>Value</u>
Donated food	19,685,364	\$ 32,981,935	25,162,581	\$ 41,769,883
Purchased food	14,839,663	10,528,930	8,208,291	5,625,433
Government programs	<u>36,927,405</u>	<u>26,760,669</u>	<u>33,045,464</u>	<u>20,758,472</u>
Total	<u>71,452,432</u>	<u>\$ 70,271,534</u>	<u>66,416,336</u>	<u>\$ 68,153,788</u>

The valuation of donated food received, donated food distributed, and donated food inventory is based on the approximate average wholesale value of one pound of donated product at the national level of \$1.69 for 2013 and \$1.66 for 2012, as calculated by Feeding America. Donated food inventory amounted to \$797,139 and \$1,606,119 at June 30, 2013 and 2012, respectively. Purchased food in 2013 and 2012 included 2,532,955 pounds* and 380,164 pounds*, respectively, of wholesale produce bought from New York State farms under the Wholesale Purchase Produce Program piloted by Food Bank in 2009.

Government-provided food commodities on hand at June 30, 2013 and 2012 amounted to approximately \$2,502,000 and \$757,000, respectively. As discussed in Note 2, these products are not included in the accompanying consolidated financial statements.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 8 FOOD AND OTHER PRODUCTS DISTRIBUTION PROGRAM *(continued)*

For its non-government-donated food program, Food Bank charges a shared maintenance fee (SMF), which ranges from \$0.05 to \$0.18 per pound, to its member agencies to partially defray its operating expenses. Many donated items—specifically fresh produce, bread, and food drive products—are distributed free of SMF charges. Certain agency distributions of donated food are covered by governmental and foundation grant support.

Poundage of donated food distributions with and without SMFs was as follows:

	<u>2013</u>	<u>2012</u>
<i>Donated food, except fresh produce</i>		
Pounds distributed subject to SMF*	1,267,864	2,965,226
Pounds distributed free of SMF*	<u>7,724,358</u>	<u>4,558,146</u>
	8,992,222	7,523,372
Fresh produce (not subject to SMF)*	<u>13,076,276</u>	<u>16,662,435</u>
Total	<u><u>22,068,498</u></u>	<u><u>24,185,807</u></u>

*Poundage information was unaudited.

NOTE 9 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 137,957	\$ 137,957
Building	551,830	551,830
Building improvements	1,388,746	1,388,746
Office equipment and computers	2,137,616	1,925,158
Warehouse equipment	1,195,378	1,162,483
Vehicles	195,012	151,815
Leasehold improvements	4,350,058	4,183,286
Furniture, fixtures, and equipment	<u>891,165</u>	<u>878,304</u>
	10,847,762	10,379,579
<i>Less: Accumulated depreciation and amortization</i>	<u>(6,588,860)</u>	<u>(5,956,539)</u>
Net	<u><u>\$ 4,258,902</u></u>	<u><u>\$ 4,423,040</u></u>

Depreciation and amortization expense related to property and equipment amounted to \$685,243 and \$639,445 in 2013 and 2012, respectively.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 10 INVESTMENT IN HUNTS POINT COOPERATIVE MARKET, INC.

Food Bank owns 8,361 shares of cooperative stock in Hunts Point Cooperative Market, Inc. (HPCM), which entitles it to occupy and use the warehouse and office premises in Hunts Point, New York City, under a sublease agreement with HPCM (see Note 17). The cost of the shares, which originally amounted to \$661,394, is amortized to expense on a straight-line basis over the life of the underlying lease at an annual rate of \$24,051.

NOTE 11 SUPPLEMENTARY HEALTH AND MEDICARE BENEFITS

In 2004, the Board committed to pay the future health insurance premiums for two former employees. The liability, which amounted to approximately \$ 112,048 and \$108,989 at June 30, 2013 and 2012, respectively, is determined based on estimated premiums over their respective remaining life expectancy and discounted at the rate of 4% per year.

Additionally, in 2010, the Board committed to pay Medicare supplemental insurance premiums for an employee up to approximately \$50,000. The liability as of June 30, 2013 and 2012 was \$47,331 and \$48,836, respectively.

NOTE 12 MORTGAGE LOAN PAYABLE

Mortgage loan payable at June 30, 2013 and 2012 was collateralized by a mortgage on land and building of CFRC and a guarantee of Food Bank NYC. It was payable in 59 equal monthly installments of \$17,539 (inclusive of interest of 6.49% per year) commencing on September 1, 2008, and ending on August 1, 2013, with a lump-sum payment due of \$2,389,742. Annual payments for the years ended June 30, 2013 and 2012 totaled \$210,471, which included interest of \$155,359 in 2013 and \$158,822 in 2012. Under the terms of the loan, Food Bank was required to, among other things: (i) maintain a minimum consolidated debt service coverage ratio of \$1.20 to \$1.00; (ii) maintain a positive net worth computed in accordance with U.S GAAP as shown in its annual consolidated financial statements; and (iii) submit audited financial statements within 150 days of the end of its fiscal year. As of June 30, 2013, Food Bank has complied with, or received a waiver from, the Lender Bank (defined below) with respect to these requirements.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 12 MORTGAGE LOAN PAYABLE *(continued)*

On August 1, 2013, Food Bank refinanced the mortgage principal of \$2,351,476 with another financial institution (Lender Bank), payable in 119 monthly principal amounts of \$9,798 commencing September 1, 2013 and a balloon principal payment of \$1,185,535 due on August 1, 2023. The new mortgage loan (the Loan) bears interest at 4.72% a year, payable monthly on the dates the principal installments are due, computed based on the actual number of elapsed days over 360 days.

Principal and interest due annually are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 97,978	\$ 91,971	\$ 189,949
2015	117,574	105,268	222,842
2016	117,574	99,911	217,485
2017	117,574	94,015	211,589
2018	117,574	88,388	205,962
Thereafter	1,783,202	367,272	2,150,474

The Loan is collateralized by a security agreement that grants the Lender Bank a security interest in all present and future tangible and intangible assets of CFRC and a guarantee from Food Bank NYC.

The Loan may be prepaid prior to maturity, subject to liquidated damages calculated in accordance with terms of the loan agreement, generally the difference between (a) the interest that the Lender Bank would have received had there been no prepayment and (b) the corresponding fixed-rate interest it would have received, with respect to the prepaid principal amount, in an interest rate swap deemed it would have entered into on the prepayment date (the Replacement Swap) to cover its payment obligations in an interest rate swap deemed it would have entered into on the date the prepaid principal amount was originally funded, with the difference discounted to present value using the Replacement Swap interest rate as the discount rate.

Under the terms of the Loan, Food Bank is required to, among other things, comply with the following financial covenants: (i) maintain a minimum consolidated debt service coverage ratio (as defined in the loan agreement) of 1.20 to 1.00 calculated on a four-quarter rolling basis and tested quarterly, (ii) maintain a consolidated liquidity ratio of expendable cash and investment to funded debt (as defined in the loan agreement) of at least 1.00 to 1.00, to be tested quarterly, and (iii) submit annual audited financial statements within 200 days (180 days plus 20 day cure period) of the end of its fiscal year.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
<i>Available for donor-specified purposes</i>		
Food distribution	\$ 543,762	\$ 707,816
Renovation of facilities	259,159	444,650
Advocacy and education	155,870	99,610
Children's feeding and nutrition programs	787,489	901,990
Income policy	-	123,954
Capacity building grant	553,833	339,219
<i>Unappropriated endowment earnings</i>		
Investment income of permanently restricted net assets	<u>80,808</u>	<u>79,498</u>
Total	<u>\$ 2,380,921</u>	<u>\$ 2,696,737</u>

Net assets were released from donor restrictions (by incurring expenses satisfying the restrictions) as follows:

	<u>2013</u>	<u>2012</u>
<i>Operating</i>		
Food distribution	\$ 994,486	\$ 902,236
Advocacy and education	218,740	225,614
Children's feeding and nutrition programs	124,500	89,470
Income policy	1,826,455	1,248,144
Capacity building grant	<u>310,219</u>	<u>251,532</u>
	<u>3,474,400</u>	<u>2,716,996</u>
<i>Non-operating</i>		
Renovation of facilities	<u>185,491</u>	<u>578,280</u>
Total	<u>\$ 3,659,891</u>	<u>\$ 3,295,276</u>

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 14 NET ASSETS AND ENDOWMENTS

As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, or as designated by the Board.

- a. Unrestricted net assets—The Board designated a portion of Food Bank’s unrestricted net assets as an operating reserve for extraordinary events and any governmental funding reductions that may cause hardship for Food Bank. The reserve may also be used to expand, purchase, and lease equipment and warehouse space. The Board reviews the amount of this reserve annually. The reserve is not segregated as a separate fund and is not credited or charged with Food Bank’s investment results.
- b. Temporarily restricted net assets—These consisted of unexpended investment income of permanently restricted net assets, which the Board has not yet authorized as expenditures.
- c. Permanently restricted net assets—These consisted of a \$50,000 endowment restricted for investment in perpetuity, the income from which is available to support general operations.

Food Bank’s endowment assets include those assets of Board-designated and donor-restricted funds that Food Bank must hold in perpetuity or for donor-specified periods.

Interpretation of Relevant Law

Food Bank follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA), a modified version of the Uniform Prudent Management of Institutional Funds Act, which allows an institution to appropriate for expenditure or accumulate as much of an endowment fund as the institution determines is prudent. However, the amount is subject to the intent expressed by the donor in the gift instrument. The NYPMIFA provides that unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. For purposes of financial statement presentation, Food Bank classifies as permanently restricted net assets: (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; and (3) 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 as permanently restricted net assets is characterized as temporarily restricted net assets.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 14 NET ASSETS AND ENDOWMENTS *(continued)*

Interpretation of Relevant Law *(continued)*

Of importance, however, under the NYPMIFA, Food Bank is entitled to appropriate for expenditure endowment funds, whether characterized here as “permanently restricted” or “temporarily restricted,” except where inconsistent with the intent expressed by the donor in the gift instrument.

In accordance with state law, Food Bank considers the following factors in making a determination to appropriate or calculate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purposes of Food Bank and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and appreciation of investments;
6. Other Food Bank resources;
7. The investment policies of Food Bank; and
8. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on Food Bank.

Changes in endowment net assets for the years ended June 30, 2013 and 2012 were as follows:

	<u>Year Ended June 30, 2013</u>			
	<u>Unrestricted (Board- designated)</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, at beginning of year	\$ 4,000,000	\$ 79,498	\$ 50,000	\$ 4,129,498
Amount designated during the year	250,000	-	-	250,000
Investment income	42,934	1,310	-	44,244
Appropriated for expenditure	(42,934)	-	-	(42,934)
Balance, at end of year	<u>\$ 4,250,000</u>	<u>\$ 80,808</u>	<u>\$ 50,000</u>	<u>\$ 4,380,808</u>

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 14 NET ASSETS AND ENDOWMENTS *(continued)*Interpretation of Relevant Law *(continued)*

	Year Ended June 30, 2012			Total
	Unrestricted (Board- designated)	Temporarily Restricted	Permanently Restricted	
Balance, at beginning of year	\$ 3,000,000	\$ 78,854	\$ 50,000	\$ 3,128,854
Amount designated during the year	1,000,000	-	-	1,000,000
Investment income	37,469	644	-	38,113
Appropriated for expenditure	(37,469)	-	-	(37,469)
Balance, at end of year	\$ 4,000,000	\$ 79,498	\$ 50,000	\$ 4,129,498

As of June 30, 2013 and 2012, the assets of the permanently restricted endowment amounted to \$130,808 and \$129,498, respectively. Since the inception of the endowment, cumulative endowment earnings are reinvested and have not been appropriated for expenditure.

Investment and Spending Policies

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. Under this policy, as approved by the Investment Committee of the Board, the endowment assets are invested in a manner intended to preserve the assets of donor-restricted funds that Food Bank must hold in perpetuity while assuming a low level of investment risk. Therefore, the investment objectives require disciplined and consistent management philosophies that accommodate all relevant, reasonable, and probable events. In addition, a periodic review of the total rate of return is required. As of June 30, 2013, the Board has not established a spending rate policy for the Board-designated and permanently restricted net assets.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2013

NOTE 15 SPECIAL EVENTS

Food Bank hosts special events to raise funds. Net support from special events for the years ended June 30, 2013 and 2012 was as follows:

	<u>Year Ended June 30, 2013</u>		
	<u>Support</u>	<u>Direct Costs</u>	<u>Net</u>
CAN Do Awards	\$ 1,905,692	\$ 460,364	\$ 1,445,328
Other special events, including in-kind contributions of \$446,477	<u>1,003,215</u>	<u>446,477</u>	<u>556,738</u>
Total	<u>\$ 2,462,430</u>	<u>\$ 906,841</u>	<u>\$ 2,002,066</u>

	<u>Year Ended June 30, 2012</u>		
	<u>Support</u>	<u>Direct Costs</u>	<u>Net</u>
CAN Do Awards	\$ 1,348,050	\$ 392,517	\$ 955,533
Other special events	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total	<u>\$ 1,948,050</u>	<u>\$ 392,517</u>	<u>\$ 1,555,533</u>

NOTE 16 RETIREMENT PLAN

Food Bank has a 403(b) defined contribution retirement plan. Employees become eligible to contribute to the plan upon employment. Participating employees may contribute any amount, up to the maximum IRS annual contribution limit. After two years of service, Food Bank contributes annually, subject to the approval of the Board, 10% of the employee's compensation. The total retirement expense amounted to \$496,048 and \$406,158 for the years ended June 30, 2013 and 2012, respectively.

NOTE 17 LEASE COMMITMENTS

39 Broadway Office

Food Bank leases office space on the 10th floor of 39 Broadway (the Existing Premises) under a non-cancelable lease. The lease commenced on October 1, 1999 and was amended, effective April 1, 2011, extending the lease term to March 31, 2026 and providing for additional space on the 11th floor (the Expansion Premises) commencing on October 10, 2011 (the Expansion Premises Inclusion Date) through the third anniversary of the Expansion Premises Inclusion Date, with an option to extend through March 31, 2026.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 17 LEASE COMMITMENTS *(continued)*

39 Broadway Office *(continued)*

The lease was further amended in November 19, 2013, fixing the extended term for the 11th floor from October 10, 2014 to October 22, 2018 (the Extended Term). The lease, as amended, (the Amended Lease) further provides for, among other things, the following:

- Rent abatement on the Existing Premises for the months of April 2011, May 2011, June 2011 and April 2015.
- Lessor's contribution of an amount not to exceed \$211,125 for hard costs on renovation work conducted during the 18-month period from April 1, 2011, and for certain furnishings installed, by Food Bank on the Existing Premises, plus up to 15% of such contribution for related soft costs on the renovation work.
- Rent abatement on the Expansion Premises for the initial thirty days of the Extended Term.
- Prohibition on assignment of the Expansion Premises to parties unrelated to Food Bank.

Annual minimum lease payments under the Amended Lease are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Existing Premises (10th Floor)</u>	<u>Expansion Premises (11th Floor)</u>
2014	\$ 446,399	\$ 68,291
2015	418,719	52,468
2016	473,326	60,905
2017	498,143	76,683
2018	510,597	78,600
Thereafter	4,595,722	26,688

Additional charges under the lease include real estate taxes and electricity.

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Notes to Consolidated Financial Statements

For the Year Ended June 30, 2013

NOTE 17 LEASE COMMITMENTS *(continued)*

39 Broadway Office *(continued)*

Rent expense on the above lease, which is recorded on the straight-line basis, amounted to \$591,947 and \$578,333 in 2013 and 2012, respectively. The deferred rent liability, which represents the cumulative difference between annual straight-line rent expense and annual rent paid, amounted to \$595,450 and \$430,562 at June 30, 2013 and 2012, respectively. The liability at June 30, 2013 included leasehold improvement costs totaling \$211,125 to be reimbursed by the lessor pursuant to the terms of the lease, and is being amortized as a reduction of rent expense over the term of the lease.

Hunts Point Cooperative Market, Inc. Sublease

In conjunction with its ownership of 8,361 shares of cooperative stock of HPCM (see Note 9), Food Bank entered into a sublease (the Sublease) with HPCM on December 1, 1999, for the occupancy and use of warehouse and office premises in Hunts Point, New York (Hunts Point Market). The Sublease expires on October 30, 2028, unless terminated sooner under its provisions.

HPCM holds a property interest in the Hunts Point Market under its master lease with the City of New York (the City). Under the Sublease, Food Bank pays HPCM annual rent, which represents Food Bank's share of HPCM's cash requirements, as defined and calculated under the Sublease. HPCM's cash requirement includes, among other things, rent and other charges payable by HPCM to the City, taxes, assessments, water and sewer charges, security, utilities, refrigeration, garbage removal, extermination, parking, insurance, and other operation expenses. The cash requirement and Food Bank's rent are established from time to time by HPCM's Board of Directors. Rent expense for HPCM's office and warehouse premises amounted to \$1,527,654 and \$1,443,941 in 2013 and 2012, respectively.

NOTE 18 SUBSEQUENT EVENTS

Food Bank has evaluated subsequent events through February 13, 2014, the date on which the consolidated financial statements were approved and available for issuance, and determined that, except for the refinancing of the mortgage loan as described in Note 12 and the lease amendment as described in Note 17, there were no subsequent events to recognize or disclose in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY
Consolidating Statement of Financial Position
June 30, 2013

	<u>Food Bank</u>	<u>CFRC</u>	<u>Elimination</u>	<u>Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 6,194,032	\$ -	\$ -	\$ 6,194,032
Investments	4,558,210	-	-	4,558,210
Government grants receivable	2,934,588	-	-	2,934,588
Contributions receivable	1,480,233	-	-	1,480,233
Accounts receivable	146,759	-	-	146,759
Due from affiliate	241,215	2,363,841	(2,605,056)	-
Prepaid expenses and other assets	357,375	-	-	357,375
Security deposits	131,728	-	-	131,728
Purchased products inventory	2,428,040	-	-	2,428,040
Donated food inventory	797,139	-	-	797,139
Property and equipment, net	3,018,031	1,240,871	-	4,258,902
Investment in Hunts Point Cooperative Market, Inc. (HPCM), net	255,319	-	-	255,319
Deferred mortgage costs	20,282	-	-	20,282
Total assets	<u>\$ 22,562,951</u>	<u>\$ 3,604,712</u>	<u>\$ (2,605,056)</u>	<u>\$ 23,562,607</u>
LIABILITIES AND NET ASSETS				
<i>Liabilities</i>				
Accounts payable and accrued expenses	\$ 2,808,043	\$ -	\$ -	\$ 2,808,043
Accrued salaries and employee benefits	974,612	-	-	974,612
Contract advances and other liabilities	174,056	-	-	174,056
Due to affiliate	2,363,841	241,215	(2,605,056)	-
Deferred rent	595,450	-	-	595,450
Mortgage loan payable	-	2,363,841	-	2,363,841
Total liabilities	<u>6,916,002</u>	<u>2,605,056</u>	<u>(2,605,056)</u>	<u>6,916,002</u>
<i>Net assets</i>				
<i>Unrestricted</i>				
Board-designated	4,250,000	-	-	4,250,000
Property and equipment and investment in HPCM	3,273,350	1,240,871	-	4,514,221
Undesignated	5,692,678	(241,215)	-	5,451,463
Total unrestricted	<u>13,216,028</u>	<u>999,656</u>	<u>-</u>	<u>14,215,684</u>
Temporarily restricted	2,380,921	-	-	2,380,921
Permanently restricted	50,000	-	-	50,000
Total net assets	<u>15,646,949</u>	<u>999,656</u>	<u>-</u>	<u>16,646,605</u>
Total liabilities and net assets	<u>\$ 22,562,951</u>	<u>\$ 3,604,712</u>	<u>\$ (2,605,056)</u>	<u>\$ 23,562,607</u>

FOOD BANK FOR NEW YORK CITY AND SUBSIDIARY

Consolidating Statement of Activities

For the Year Ended June 30, 2013

	Food Bank	CFRC	Elimination	Consolidated
OPERATING SUPPORT AND REVENUE, EXCLUDING DONATED FOOD RECEIVED				
<i>Support</i>				
Foundations and corporations (includes in-kind contributions and donated services of \$498,824)	\$ 14,127,274	\$ -	\$ -	\$ 14,127,274
Individuals	8,791,624	-	-	8,791,624
Special events (includes in-kind contributions of \$446,477 and net of direct costs of \$906,841)	2,002,066	-	-	2,002,066
Total support	24,920,964	-	-	24,920,964
<i>Revenue</i>				
Government contracts	15,480,083	-	-	15,480,083
Shared maintenance	137,978	-	-	137,978
Sale of food and paper products	1,243,940	-	-	1,243,940
Other income	81,365	-	-	81,365
Total revenue	16,943,366	-	-	16,943,366
Total support and revenue, excluding donated food received	41,864,330	-	-	41,864,330
EXPENSES, EXCLUDING DONATED FOOD DISTRIBUTED				
<i>Program services, excluding donated food distributed</i>				
Distribution and storage of food	19,199,835	-	-	19,199,835
Research and policy	2,744,369	-	-	2,744,369
Nutrition services and education	3,620,816	-	-	3,620,816
Community kitchen and pantry	1,463,860	63,336	-	1,527,196
Income policy	3,027,101	-	-	3,027,101
Benefit access	2,699,966	-	-	2,699,966
Total program services	32,755,947	63,336	-	32,819,283
<i>Supporting services</i>				
Management and general	5,468,600	-	-	5,468,600
Fundraising	3,240,871	-	-	3,240,871
Total supporting services	8,709,471	-	-	8,709,471
Total expenses, excluding donated food distributed	41,465,418	63,336	-	41,528,754
Change in net assets—operating, excluding donated food	398,912	(63,336)	-	335,576
DONATED FOOD				
Donated food received	32,172,954	-	-	32,172,954
Donated food distributed	(32,981,935)	-	-	(32,981,935)
Change in net assets—donated food	(808,981)	-	-	(808,981)
Change in net assets—operating	(410,069)	(63,336)	-	(473,405)
NON-OPERATING SUPPORT AND REVENUE				
<i>Support for capital expenditures</i>				
Foundations and corporations	-	-	-	-
<i>Other non-operating</i>				
Investment income	44,244	-	-	44,244
Change in net assets—non-operating	44,244	-	-	44,244
Change in net assets	(365,825)	(63,336)	-	(429,161)
Net assets, beginning of year	16,012,774	1,062,992	-	17,075,766
Net assets, end of year	\$ 15,646,949	\$ 999,656	\$ -	\$ 16,646,605