

**HIGH PLAINS FOOD BANK  
FINANCIAL STATEMENTS**

**Years Ended December 31, 2013 and 2012**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
High Plains Food Bank

I have audited the accompanying financial statements of High Plains Food Bank (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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 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**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Plains Food Bank as of December 31, 2013 and 2012, 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.

*Victor B. Glenn*

Amarillo, TX  
September 29, 2014

HIGH PLAINS FOOD BANK  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 837,951	\$ 928,427
Accounts receivable	133,828	206,769
Food inventory	1,057,296	531,450
Prepaid insurance	12,224	15,710
Promises to give - restricted	24,720	48,720
Investments	630,850	424,834
Investments held for endowment purposes	300,000	300,000
Cash restricted for acquisition of property	245,266	-
Property and equipment (net)	<u>2,071,655</u>	<u>2,090,844</u>
 Total assets	 <u><u>\$ 5,313,790</u></u>	 <u><u>\$ 4,546,754</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$ 190,902	\$ 115,837
Accrued liabilities	<u>11,049</u>	<u>6,402</u>
 Total liabilities	 201,951	 122,239
 <b>NET ASSETS</b>		
Unrestricted	4,241,301	4,003,459
Temporarily restricted	570,538	121,056
Permanently restricted	<u>300,000</u>	<u>300,000</u>
 Total net assets	 <u>5,111,839</u>	 <u>4,424,515</u>
 Total liabilities and net assets	 <u><u>\$ 5,313,790</u></u>	 <u><u>\$ 4,546,754</u></u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
 STATEMENTS OF ACTIVITIES  
 Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Support</b>		
Food contributions	\$ 8,246,257	\$ 8,158,700
Cash contributions	1,211,727	1,000,945
Grants	494,208	351,983
Other non-cash contributions	39,521	72,928
	<hr/>	<hr/>
Total unrestricted support	9,991,713	9,584,556
<b>Revenue</b>		
Purchased product sales	495,299	486,083
Cost of purchased product	(485,385)	(475,119)
	<hr/>	<hr/>
	9,914	10,964
Share maintenance fees	334,611	339,288
Third-party reimbursement	452,831	557,123
Special events	33,905	29,977
Interest and investment income	46,746	20,170
Net gain (loss) on investments	126,215	72,020
Other	18,841	53,109
	<hr/>	<hr/>
Total unrestricted revenue	1,023,063	1,082,651
Net assets released from restrictions	<hr/>	<hr/>
	520,437	520,439
Total revenue and support	11,535,213	11,187,646
<b>Expenses</b>		
Program services		
Food distribution	10,000,079	10,310,760
Kid's Café	652,814	656,406
Management and general	196,442	174,961
Cost of benefits to donors	10,021	11,397
Fund-raising	290,045	286,915
	<hr/>	<hr/>
Total expenses	11,149,401	11,440,439
Increase (decrease) in unrestricted net assets	385,812	(252,793)

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
 STATEMENTS OF ACTIVITIES  
 Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
TEMPORARILY RESTRICTED NET ASSETS		
Food contributions-USDA	\$ 581,886	\$ 377,893
Grants and contributions	240,063	87,537
Net assets released from restrictions	<u>(520,437)</u>	<u>(520,439)</u>
Increase (decrease) in temporarily restricted net assets	<u>301,512</u>	<u>(55,009)</u>
Increase (decrease) in net assets	687,324	(307,802)
Net assets at beginning of year	<u>4,424,515</u>	<u>4,732,317</u>
Net assets at end of year	<u><u>\$ 5,111,839</u></u>	<u><u>\$ 4,424,515</u></u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Cash received from contributors and grants	\$ 1,969,998	\$ 1,478,540
Cash received from service recipients	1,380,940	1,285,215
Investment income	46,690	22,286
Other	19,885	52,065
Cash paid to employees and suppliers	<u>(3,057,338)</u>	<u>(3,108,388)</u>
Net cash provided (used) by operating activities	360,175	(270,282)
Cash Flows From Investing Activities		
Payments for property and equipment	(133,243)	(124,802)
Purchase of long-term investments	(334,771)	(303,752)
Sale of property and equipment	-	598
Sale of short-term investments	-	-
Sale of long-term investment	<u>300,000</u>	<u>300,000</u>
Net cash used by investing activities	<u>(168,014)</u>	<u>(127,956)</u>
Net increase (decrease) in cash	192,161	(398,238)
Beginning cash	<u>928,427</u>	<u>1,326,665</u>
Ending cash	<u>\$ 1,120,588</u>	<u>\$ 928,427</u>

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of Changes in Net Assets to Net Cash Used by Operating Activities		
Decrease in net assets	\$ 687,324	\$ (307,802)
Adjustments to reconcile change in net assets to net cash		
Depreciation	152,432	159,333
Unrealized (gain)/loss on investments	(133,874)	(63,694)
(Increase) decrease in operating assets		
Accounts receivable	72,941	(134,510)
Promises to give	24,000	38,075
Food inventory	(525,846)	(42,693)
Prepaid expenses	3,486	20,643
Increase (decrease) in operating liabilities		
Accounts payable	75,065	57,407
Accrued liabilities	4,647	2,959
	<u>\$ 360,175</u>	<u>\$ (270,282)</u>
Net cash provided (used) by operating activities	<u>\$ 360,175</u>	<u>\$ (270,282)</u>

The Food Bank received securities with a fair value of \$3,578 in 2013.

See accompanying notes and accountant's report



HIGH PLAINS FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2013

	Program Costs					Fund- Raising	Total
	Food Distribution	Kid's Café	Total Program	Management & General	Benefit to Donors		
Salaries	\$ 678,806	\$ 215,830	\$ 894,636	\$ 104,930	\$ -	\$ 114,290	\$ 1,113,856
Payroll taxes	54,885	18,631	73,516	8,374	-	9,009	90,899
Employee benefits	90,977	20,160	111,137	16,608	-	13,767	141,512
	824,668	254,621	1,079,289	129,912	-	137,066	1,346,267
Food distribution	8,368,444	316,476	8,684,920	339	-	343	8,685,602
Cost of goods sold	485,386	-	485,386	-	-	-	485,386
Professional fees	14,219	740	14,959	43,297	-	1,260	59,516
Conferences and training	11,227	4,834	16,061	11,630	-	5,012	32,703
Occupancy	124,115	14,025	138,140	2,171	-	502	140,813
Dues and subscriptions	11,829	133	11,962	1,385	-	2,713	16,060
Insurance	50,925	-	50,925	977	-	241	52,143
Postage	11,957	-	11,957	58	-	6,421	18,436
Supplies/Food	106,561	15,425	121,986	2,144	1,594	184	125,908
Printing	24	6,565	6,589	-	-	115,487	122,076
Telephone	9,684	2,389	12,073	706	-	1,622	14,401
Vehicle/Delivery	240,995	19,862	260,857	233	-	1,920	263,010
Equipment repair & maintenance	34,770	2,848	37,618	735	-	720	39,073
Contract labor	11,988	5,980	17,968	-	-	4,079	22,047
Other	17,112	3,096	20,208	578	8,393	10,981	40,160
Agency support	18,754	-	18,754	-	-	-	18,754
Depreciation & amortization	142,807	5,820	148,627	2,277	34	1,494	152,432
Total expenses	10,485,465	652,814	11,138,279	196,442	10,021	290,045	11,634,787
Less expenses netted with revenue on the statement of activities	485,386	-	485,386	-	-	-	485,386
Total expenses reported by function	\$ 10,000,079	\$ 652,814	\$ 10,652,893	\$ 196,442	\$ 10,021	\$ 290,045	\$ 11,149,401

See accompanying notes and accountant's report

HIGH PLAINS FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2012

	Program Costs					Benefit to Donors	Fund- Raising	Total
	Food Distribution	Kid's Café	Total Program	Management & General				
Salaries	\$ 628,143	\$ 207,208	\$ 835,351	\$ 62,498	\$ -	\$ 96,347	\$ 994,196	
Payroll taxes	49,192	16,830	66,022	5,360	-	7,233	78,615	
Employee benefits	88,174	19,039	107,213	12,169	-	13,533	132,915	
	<u>765,509</u>	<u>243,077</u>	<u>1,008,586</u>	<u>80,027</u>	<u>-</u>	<u>117,113</u>	<u>1,205,726</u>	
Food distribution	8,736,703	280,933	9,017,636	1,858	-	1,242	9,020,736	
Cost of goods sold	475,119	-	475,119	-	-	-	475,119	
Professional fees	8,811	2,832	11,643	64,325	-	200	76,168	
Conferences and training	11,454	2,146	13,600	11,375	-	5,150	30,125	
Occupancy	106,453	14,265	120,718	4,725	-	1,149	126,592	
Dues and subscriptions	10,970	300	11,270	753	-	2,407	14,430	
Insurance	48,948	-	48,948	1,935	-	204	51,087	
Postage	13,663	202	13,865	317	-	208	14,390	
Supplies/Food	120,761	36,150	156,911	1,208	2,402	1,800	162,321	
Printing	408	7,061	7,469	74	-	117,345	124,888	
Telephone	10,128	2,928	13,056	732	-	1,562	15,350	
Vehicle/Delivery	238,209	29,775	267,984	177	-	2,726	270,887	
Equipment repair and maint.	40,463	6,280	46,743	479	-	1,540	48,762	
Contract labor	12,217	19,672	31,889	125	-	11,171	43,185	
Other	14,233	4,337	18,570	2,637	8,961	21,313	51,481	
Agency support	24,978	-	24,978	-	-	-	24,978	
Depreciation	146,852	6,448	153,300	4,214	34	1,785	159,333	
Total expenses	<u>10,785,879</u>	<u>656,406</u>	<u>11,442,285</u>	<u>174,961</u>	<u>11,397</u>	<u>286,915</u>	<u>11,915,558</u>	
Less expenses netted with revenue on the statement of activities	<u>475,119</u>	<u>-</u>	<u>475,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,119</u>	
Total expenses reported by function	<u>\$ 10,310,760</u>	<u>\$ 656,406</u>	<u>\$ 10,967,166</u>	<u>\$ 174,961</u>	<u>\$ 11,397</u>	<u>\$ 286,915</u>	<u>\$ 11,440,439</u>	

See accompanying notes and accountant's report

# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

High Plains Food Bank (Food Bank) is a Texas non-profit corporation chartered on September 27, 1982 to serve the Texas Panhandle area. Its purpose is to collect, store and preserve surplus food and to distribute the food among the indigent and needy and among charitable organizations, agencies and governmental units for use by the indigent and needy. Under the Kids Café program, the Food Bank supplies the food, funds as well as food preparation to feed needy children. The Food Bank's support comes primarily from public and governmental contributions and grants, and from shared maintenance fees paid by recipient agencies.

#### Basis of Accounting

The financial statements of the Food Bank have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

The Food Bank 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.

#### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

#### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Food Bank considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Food Inventories

The inventory of publicly donated food items is valued at \$1.60 per pound at December 31, 2013 and 2012 respectively, as recommended by the Feeding America Organization. Inventories of purchased food items are stated at the lower of cost or market, using the first-in, first-out method. USDA donated food items are valued at the USDA stated value, using the first-in, first-out method.

# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### Donated property and equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### Donated food, materials, and services

Significant food items are donated to the Food Bank by various individuals and organizations. A food item donated by the public for which the donor has not placed a value on the food donated is recorded at the Second Harvest recommended per pound ratio which averaged \$1.60 and \$1.60 a pound for 2013 and 2012, respectively. Food items donated under a contract agreement with the Texas Department of Human Services for USDA commodities are recorded at their stated value for the food item. Any non-food donated materials and services are recorded at fair market value at date of donation.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

### Promises to Give

Contributions are recognized when the donor makes a promise to give to the Food Bank, that is, in substance, unconditional. Contributions that are restricted by the donor 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.

### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

### Property and Equipment

Property and equipment are carried at cost, or if donated, at the approximate fair value at date of donation. Depreciation on property and equipment was calculated using the straight-line method. All acquisitions of

# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

property and equipment in excess of \$500 and repairs and improvements in excess of \$1,000 are capitalized if the estimated life expectancy is greater than two years.

### Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

### Concentration of Contributions

The Food Bank receives approximately 16% of food and 15% of its budgeted revenue under the United States Department of Agriculture food commodity program.

### Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

The Food Bank maintains its cash balances at several financial institutions located in the Texas Panhandle. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, the Food Bank's unsecured cash balances totaled \$608,636. The Board of Directors believes that the Food Bank has no significant risk of loss on these accounts due to the failure of the institution.

### NOTE 2 - FEDERAL INCOME TAX

No provision is made for federal income tax as the Food Bank is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Food Bank's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2009, 2010, 2011 and 2012 are subject to examination by the Internal Revenue Service, generally for 3 years after they were filed.

### NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable are stated at unpaid balances. It is the Food Bank's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Accounts receivable are considered to be fully collectible and consist of the following:

	<u>2013</u>	<u>2012</u>
Accounts receivable - fees	\$78,955	\$74,721
Cost reimbursement receivable	53,235	130,466
Accrued interest	1,638	1,582
	<u>\$ 133,828</u>	<u>\$ 206,769</u>

HIGH PLAINS FOOD BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

NOTE 4 - FOOD INVENTORY

Food inventory as of December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Donated food	\$675,013	\$238,139
Purchased food program	256,973	259,792
USDA commodities	125,310	33,519
	<u>\$1,057,296</u>	<u>\$531,450</u>

NOTE 5 - PROMISES TO GIVE

The promises to give as of December 31, 2013 are unconditional and are due \$40,000 in 2012, and \$25,000 in 2013 and 2014. Promises to give to be received after 2013 were discounted at 3.0%. The unamortized discount on promises to give is \$280 as of December 31, 2013. The promises to give are considered to be fully collectible.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$211,045	\$211,045
Building and improvements	2,631,023	2,629,789
Construction-in-progress	109,139	-
Warehouse equipment	446,234	450,535
Office furniture and equipment	217,330	213,685
Vehicles	486,452	484,952
Software	14,584	14,584
	<u>4,115,807</u>	<u>4,004,590</u>
Accumulated depreciation	<u>(2,044,152)</u>	<u>(1,913,746)</u>
	<u>\$2,071,655</u>	<u>\$2,090,844</u>

For building and facility expansion in 2000 and 2001, the Food Bank had obtained partial funding from the City of Amarillo. The new facility is subject to a lien and encumbrance to the City of Amarillo, in the initial amount of \$270,000, to be amortized over a period of 20 years from October 1, 1999. Should the Food Bank cease to occupy or use the structure for which the funds were given, the Food Bank is required to repay the unamortized balance to the City of Amarillo. As of December 31, 2013 the unamortized balance was approximately \$78,750.

# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### NOTE 7 - INVESTMENTS

Investments are reported on the basis of quoted market prices and consist of equity securities, bonds and certificate of deposits as follows:

	2013	2012
Equity mutual funds	\$ 704,516	\$ 537,924
Certificates of deposit	226,334	224,281
	\$ 930,850	\$ 762,205

Investment returns were \$5,462 and \$7,906 and net realized/unrealized gains were \$157,697 and \$72,617 for 2013 and 2012 respectively.

### NOTE 8 - TAX-DEFERRED ANNUITY PLAN

The Food Bank has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan is voluntary and covers full-time employees of the Food Bank. The Food Bank matches participant contributions up to five percent of the individual compensation. Food Bank contributions to the plan were \$13,599 and \$11,770 in 2013 and 2012 respectively.

### NOTE 9 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted for subsequent year activities.

	2013	2012
USDA Commodities	\$ 125,310	\$ 33,519
Rural Service	35,000	-
Kid's Café	54,716	14,673
Purchased Food	4,418	24,250
Kids Café Expansion	245,166	-
Food Drive	7,259	7,259
Community Garden	268	1,500
Miscellaneous Program	98,401	39,855
	\$ 570,538	\$ 121,056

### NOTE 10 - DONATED MATERIALS AND SERVICES

Non-food donated materials were \$23,498 and \$49,080 in 2013 and 2012 respectively and were included in revenue and expenses. Only those services that meet the criteria for recognition are included in revenue

# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

and expenses. Volunteer services for 2013 and 2012 with an estimated value of \$296,609 and \$341,547 respectively, were not recognized in the financial statements because they did not meet the criteria for recognition. Donated services recognized in the financial statements are as follows:

	2013	2012
Transportation Services	\$ 5,935	\$ 7,915
Professional	4,843	7,796
Other	5,227	600
	\$ 16,023	\$ 16,311

### NOTE 11 - ADVERTISING

The Food Bank uses advertising to promote its programs. The costs of advertising are expensed as incurred.

### NOTE 12 - AMARILLO AREA FOUNDATION, INC. AGREEMENT

In 1992, the Food Bank entered in to an agreement with the Amarillo Area Foundation, Inc. (Foundation), a community charitable organization. Under this agreement, the Food Bank transferred the Mr. and Mrs. Tom Boyer Endowment, the Katherine Wilson Endowment and the Harrington Endowment to the Foundation. The income of the endowments will from time to time be distributed for one or more exempt purposes within the Amarillo Area with the primary consideration given to the Food Bank. The endowments are a component fund of the Foundation and therefore the Foundation has the absolute right to make the final decision as to any and all distributions from these endowments. Distributions to the Food Bank were \$7,025 and \$6,934 for 2013 and 2012, respectively. The market values of the endowment funds at December 31 are as follows:

	2013	2012
Boyer Endowment	\$ 23,819	\$ 21,507
Wilson Endowment	26,201	23,658
Harrington Endowment	127,866	115,454
	\$ 177,886	\$ 160,619

### NOTE 13 -- ENDOWMENT FUNDS

The Food Bank's endowment consists of four funds and includes donor-restricted funds, and the funds described in Note 12. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.



# HIGH PLAINS FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

*Investment Return Objectives, Risk Parameters and Strategies.* The Food Bank has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix and include equity and debt securities with the objective of minimizing risk and volatility while maximizing expected returns. A spending policy had not been finalized as of December 31, 2013.

Endowment Net Asset Composition by Type of Fund as of December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 98,845	\$ 451,923	\$ 550,768

Changes in endowment net assets as of December 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ -	\$ 39,260	\$ 460,619	\$ 499,880
Contributions	-	-	-	-
Investment income	-	33,622	(23,434)	10,188
Net appreciation (depreciation)	-	25,963	21,289	47,252

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

Amounts appropriated for expenditure	-	-	(6,551)	(6,551)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 98,845</u>	<u>\$ 451,923</u>	<u>\$ 550,768</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 39,260	\$ 460,619	\$ 499,880

Changes in endowment net assets as of December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 22,994	\$ 448,683	\$ 471,677
Contributions	-	-	-	-
Investment income	-	7,342	3,524	10,866
Net appreciation (depreciation)	-	8,924	14,742	23,666
Amounts appropriated for expenditure	-	-	(6,329)	(6,329)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 39,260</u>	<u>\$ 460,620</u>	<u>\$ 499,880</u>

### NOTE 14 – FAIR VALUE MEASUREMENT

The carrying amount of cash and cash equivalents, certificates of deposit, accounts receivable, and accounts payable approximate their fair value due to the short-term nature of such instruments.

The Food Bank uses the following hierarchical disclosures framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the Food Bank’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

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December 31, 2013 and 2012

The Food Bank uses appropriate valuation techniques based on the available inputs to measure the fair value of its assets and liabilities. When available, the Food Bank measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

Fair values of assets measure on a recurring basis at December 31, 2013 and 2012 were as follows:

		2013			
		Fair Value	Level 1	Level 2	Level 3
	Equity Mutual Funds	\$ 704,516	\$ 704,516	\$ -	\$ -
		2012			
	Equity Mutual Funds	\$ 537,924	\$ 537,924	\$ -	\$ -

For promises to give that are due within one year, carrying amount is a reasonable estimate of fair value. For promises to give that are due in more than one year, fair value is estimated at the present value of estimated future cash flows using a discount rate reflective of current interest rates. The estimated fair value for promises to give at December 31, 2013 is as follows:

		Promised Cash Flows	Carrying Amount	Fair Value
	Promises to give	\$ 25,000	\$ 24,720	\$ 24,720

### NOTE 15 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 29, 2014, which is the date the financial statements were available to be issued.