



Consolidated Financial Statements
June 30, 2014

Utah Food Bank and Utah Food Bank Foundation

Utah Food Bank and Utah Food Bank Foundation

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June 30, 2014

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Independent Auditor's Report

To the Board of Directors
Utah Food Bank and Utah Food Bank Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Utah Food Bank (a Utah non-profit corporation) and Utah Food Bank Foundation (a Utah non-profit corporation) (the Organization), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Utah Food Bank and Utah Food Bank Foundation as of June 30, 2014 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules (Consolidating Schedule of Assets, Liabilities, and Net Assets; Consolidating Schedule of Activities; and Eliminating Entries to Consolidating Schedules) are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Consolidating Schedule of Assets, Liabilities, and Net Assets; Consolidating Schedule of Activities; and Eliminating Entries to Consolidating Schedules are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Salt Lake City, Utah
November 21, 2014

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Financial Position
June 30, 2014
With Summarized Financial Information for 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 2,243,560	\$ 2,421,677
Accounts receivable		
Government contracts	150,837	117,315
Pledges receivable, net of allowance for doubtful accounts	27,987	47,987
Other	886	3,066
Food inventory	3,003,427	2,889,156
Cash equivalents - restricted for debt service	197,714	277,372
Debt issuance costs, net of accumulated amortization	151,170	211,637
Note receivable	8,785,700	8,785,700
Land, building and equipment, net of accumulated depreciation	10,851,861	10,899,922
Total Assets	\$ 25,413,142	\$ 25,653,832
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 105,304	\$ 24,393
Accrued liabilities	350,717	434,516
Notes payable	12,278,187	12,311,166
Total liabilities	12,734,208	12,770,075
Net Assets		
Designated		
Food inventories	3,003,427	2,889,156
Property and equipment, net of related debt	3,953,165	3,723,187
Undesignated	5,551,920	5,784,568
Temporarily restricted	170,422	486,846
Total net assets	12,678,934	12,883,757
Total Liabilities and Net Assets	\$ 25,413,142	\$ 25,653,832

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Activities
June 30, 2014
With Summarized Financial Information for 2013

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013
Public Support and Revenues				
In-Kind Support				
Volunteers	\$ 16,558	\$ -	\$ 16,558	\$ 1,710
Advertising	-	-	-	33,600
Food	63,324,391	-	63,324,391	61,914,251
Other supplies and equipment	49,283	-	49,283	165,583
Total in-kind support	<u>63,390,232</u>	<u>-</u>	<u>63,390,232</u>	<u>62,115,144</u>
Direct Contributions				
Contributions	5,533,560	53,103	5,586,663	5,962,971
Grants	2,014,011	-	2,014,011	807,229
United Way	224,642	-	224,642	262,162
Net assets released from restrictions	369,527	(369,527)	-	-
Total direct contributions	<u>8,141,740</u>	<u>(316,424)</u>	<u>7,825,316</u>	<u>7,032,362</u>
Revenues				
Government contracts	1,571,286	-	1,571,286	1,231,428
Gain on sale of assets	1,000	-	1,000	2,500
Interest income and other	48,120	-	48,120	48,476
Total revenues	<u>1,620,406</u>	<u>-</u>	<u>1,620,406</u>	<u>1,282,404</u>
Total public support and revenues	<u>73,152,378</u>	<u>(316,424)</u>	<u>72,835,954</u>	<u>70,429,910</u>
Program Expenses				
Logistics	67,592,138	-	67,592,138	64,717,885
Food programs and other	1,935,180	-	1,935,180	1,942,057
Total program expenses	<u>69,527,318</u>	<u>-</u>	<u>69,527,318</u>	<u>66,659,942</u>
Support Expenses				
Development	1,670,000	-	1,670,000	1,770,247
Management and general	1,843,459	-	1,843,459	1,986,940
Total support expenses	<u>3,513,459</u>	<u>-</u>	<u>3,513,459</u>	<u>3,757,187</u>
Total expenses	<u>73,040,777</u>	<u>-</u>	<u>73,040,777</u>	<u>70,417,129</u>
Change in Net Assets	111,601	(316,424)	(204,823)	12,781
Net Assets, Beginning of Year	<u>12,396,911</u>	<u>486,846</u>	<u>12,883,757</u>	<u>12,870,976</u>
Net Assets, End of Year	<u>\$ 12,508,512</u>	<u>\$ 170,422</u>	<u>\$ 12,678,934</u>	<u>\$ 12,883,757</u>

Utah Food Bank and Utah Food Bank Foundation
Consolidated Statement of Functional Expenses
June 30, 2014
With Summarized Financial Information for 2013

	Logistics	Food Programs and Other	Total Programs	Development	Management and General	Total 2014	Total 2013
Salaries and wages	\$ 1,585,730	\$ 659,657	\$ 2,245,387	\$ 417,619	\$ 871,864	\$ 3,534,870	\$ 3,593,572
Payroll taxes and benefits	534,011	213,368	747,379	97,310	196,961	1,041,650	1,039,575
Total salaries and related expenses	2,119,741	873,025	2,992,766	514,929	1,068,825	4,576,520	4,633,147
Insurance	80,315	-	80,315	-	22,382	102,697	99,538
Office supplies	3,679	1,747	5,426	666	13,619	19,711	25,760
Postage and printing	3,479	57	3,536	26,707	18,916	49,159	53,163
Professional fees	1,131	328	1,459	88,450	78,935	168,844	173,068
Project costs	9,134	4,948	14,082	320,889	11,827	346,798	463,862
Direct solicitations	-	-	-	639,504	-	639,504	564,205
Warehouse supplies	189,438	9,305	198,743	225	-	198,968	147,666
Vehicle fuel and taxes	324,488	-	324,488	-	-	324,488	296,943
Food transportation	312,366	-	312,366	207	-	312,573	249,705
Utilities and property taxes	119,966	23,871	143,837	-	24,825	168,662	157,813
Building and equipment rent	25,259	-	25,259	-	(8,126)	17,133	50,253
Repairs and maintenance	351,565	7,888	359,453	1,274	6,595	367,322	303,794
Communications	32,361	6,806	39,167	4,780	38,939	82,886	87,561
Travel	22,019	793	22,812	6,696	16,590	46,098	51,732
Dues and subscriptions	22,780	800	23,580	13,289	1,546	38,415	36,620
Employee training and seminars	10,774	4,143	14,917	6,358	13,534	34,809	27,482
Financial fees	-	-	-	-	57,024	57,024	53,017
Advertising	-	-	-	2,332	365	2,697	4,931
Non-capital equipment purchases	9,396	5,471	14,867	577	30,375	45,819	33,402
Interest expense	40,719	-	40,719	-	123,614	164,333	168,570
Purchased food	163,630	981,986	1,145,616	-	-	1,145,616	989,184
In-kind food distribution	63,330,866	-	63,330,866	-	-	63,330,866	60,799,678
In-kind volunteers	-	-	-	-	16,558	16,558	1,710
In-kind project supplies	2,216	2,500	4,716	43,117	1,650	49,483	165,583
In-kind advertising	-	-	-	-	-	-	33,600
Total before depreciation	67,175,322	1,923,668	69,098,990	1,670,000	1,537,993	72,306,983	69,671,987
Depreciation and amortization	416,816	11,512	428,328	-	305,466	733,794	745,142
Total Functional Expenses	<u>\$ 67,592,138</u>	<u>\$ 1,935,180</u>	<u>\$ 69,527,318</u>	<u>\$ 1,670,000</u>	<u>\$ 1,843,459</u>	<u>\$ 73,040,777</u>	<u>\$ 70,417,129</u>

See Notes to Consolidated Financial Statements

Utah Food Bank and Utah Food Bank Foundation

Consolidated Statement of Cash Flows

June 30, 2014

With Summarized Financial Information for 2013

	2014	2013
Operating Activities		
Change in net assets	\$ (204,823)	\$ 12,781
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	733,794	745,142
In-kind food support	(63,324,391)	(61,914,251)
In-kind food distribution	63,330,866	60,799,678
Gain on sale of property and equipment	(1,000)	(2,500)
Contributions restricted for capital campaign	-	5,000
Changes in assets and liabilities		
Government contracts receivable	(33,522)	136,385
Other receivables	2,180	2,749
Purchased inventory	(120,746)	49,246
Accounts payable	80,911	(38,279)
Accrued liabilities	(83,799)	173,140
Net Cash from (Used in) Operating Activities	379,470	(30,909)
Investing Activities		
Purchase of land, building, and equipment	(625,266)	(44,584)
Proceeds from sale of equipment	1,000	2,500
Net Cash Used in Investing Activities	(624,266)	(42,084)
Financing Activities		
Receipts of temporarily restricted pledges	20,000	80,000
Payments on note payable	(32,979)	(38,657)
Net Cash from (Used in) Financing Activities	(12,979)	41,343
Net Change in Cash and Cash Equivalents	(257,775)	(31,650)
Cash and Cash Equivalents, Beginning of Year	2,699,049	2,730,699
Cash and Cash Equivalents, End of Year	\$ 2,441,274	\$ 2,699,049
Reconciliation to Statement of Financial Position		
Cash and cash equivalents	\$ 2,243,560	\$ 2,421,677
Cash equivalents - debt service reserve	197,714	277,372
Total cash and cash equivalents	\$ 2,441,274	\$ 2,699,049

Note 1 - Organization and Significant Accounting Policies

Utah Food Bank (Food Bank) is a non-profit organization established in 1904 to provide various community services to other agencies and to individuals in need. Utah Food Bank currently operates from two main facilities—one in Saint George, Utah and one in Salt Lake City, Utah, which allows the Food Bank's efforts to reach individuals throughout the state of Utah. The Food Bank is governed by an independent, volunteer Board of Directors who oversees the Food Bank's operations.

Utah Food Bank Foundation (the Foundation) is a non-profit organization established in 2009 to support Utah Food Bank and to hold and lease property that supports Utah Food Bank's mission.

The accompanying financial statements have been prepared in accordance with standards for not-for-profit organizations adopted by the American Institute of Certified Public Accountants. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when received, pledged receivables are recorded when pledged and collection is reasonably assured, and grant revenues are recorded when earned.

Basis of Consolidation

The consolidated financial statements include the accounts Utah Food Bank and the Foundation because Utah Food Bank has both control and an economic interest in the Foundation. Utah Food Bank is the sole voting member in the Foundation and, therefore, controls the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to collectively as the "Organization."

Financial Statement Presentation

The Organization reports 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, as applicable. In addition, the Organization presents a statement of cash flows.

Summarized Prior Year Information

Financial information for the fiscal year ended June 30, is included for comparison only and is not complete. The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, , from which the summarized information was derived. Certain reclassifications have been made to the summarized prior year information in order to conform to the June 30, 2014 presentation. These reclassifications had no net effect on total net assets or the change in net assets.

Contributions and Donated Services

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted contributions are reported as temporarily or permanently restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or appropriate use of the assets. Temporarily restricted net assets at June 30, 2014 represent funds donated for specific capital acquisitions that have not yet been expended for their intended purpose.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donated materials and equipment are reflected as contributions at their estimated values at date of receipt.

The government contracts are received on a reimbursement basis. All restrictions placed on the money are met when the money is spent and the receivable is recognized. The Organization has elected to record the revenue from the government contracts as unrestricted.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. In addition, management also considers money market funds to be cash equivalents.

Program Services — Support and program services provided by the Organization are as follows:

Logistics — The logistics department at Utah Food Bank is responsible for inventory shipping and receiving and also houses the fleet, including all food procurement and delivery vehicles. The department is responsible for the buildings, fleet and warehouse safety and maintenance, cleanliness, and efficient and accurate movement of product. The department also includes the Organization's Chief Operating Officer.

Food Programs and Other — The other programs department of Utah Food Bank is responsible for direct and indirect food distribution service to clients and agencies. This includes the Food Box program, Kids Café program, BackPack program, and agency relations. It also provides support services to Salt Lake County seniors through yard care, snow removal, home repair, and in-home outreach and referral services.

Development — The development department at Utah Food Bank is responsible for all fund raising, marketing, public relations, food procurement, and volunteer efforts of the Organization. The department also includes the Organization's Chief Development Officer.

Management and General — Management and general consists of the finance, human resources, and general office support functions of the Organization. The department also houses portions of the Organization's leadership, most notably the Chief Executive Officer and the Chief Financial Officer.

Allocated Expenses

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

Income Taxes

Utah Food Bank and the Foundation are qualified charitable organizations under Section 501(c)(3) and 501(c)(2), respectively, of the Internal Revenue Code and under State of Utah tax regulations and, therefore, are not subject to federal or state income taxes in regard to their exempt activities.

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. When applicable, the Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

In-Kind Support

The Organization receives donations from a variety of sources for services and products in the furtherance of its objectives. The in-kind support consists principally of food donated for distribution to food pantries, advertising contributed by the local major media, and goods and service items donated by companies and individuals. Revenues and expenses equal to their fair market value have been recorded in connection with this in-kind support. Standard values for these donated items and services have been applied to the donations to arrive at the monetary value.

In addition to the recorded in-kind support, the Organization receives substantial assistance from volunteers who donate significant amounts of their time in program services and food donation campaigns. Time donated for work that does not require a professional or craftsman cannot be recorded on the financial statements. Volunteer hours (unaudited) which fall into this category were 97,839 and 102,668 for the years ended June 30, 2014 and June 30, 2013, respectively. For management purposes, unrecorded volunteer hours were tracked at a value of \$22.65 and \$18.19 per hour for the years ended June 30, 2014 and June 30, 2013, respectively. The value of volunteer hours (unaudited) donated to the Organization was \$2,216,053 and \$1,867,531 for the years ended June 30, 2014 and 2013, respectively.

Inventory

Inventory consists principally of donated food which is valued at a price nationally established and consistently applied, which was \$1.72 for the six month ended June 30, 2014. The price was \$1.69 per pound from January 1, 2013 through December 31, 2013, and was \$1.66 for the six months ended December 31, 2012.

Property and Equipment

Equipment is recorded on the basis of cost for purchased assets or fair market value at the date of donation for donated assets. Depreciation is recorded using the straight-line method with asset lives ranging from 3 to 10 years for equipment and 10 to 40 years for buildings and improvements. The Organization capitalizes equipment with a carrying value greater than \$3,000.

Shipping and Handling Costs

Transportation costs billed to customers is considered sales revenue and related transportation costs are included in program expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At June 30, 2014 and June 30, 2013, the Organization's deposits exceeded the insured limit by \$1,696,778 and \$1,892,623 respectively.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$2,697 and \$38,531 for the years ended June 30, 2014 and 2013, respectively, of which \$0 and \$33,600 was in-kind.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2014, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Subsequent Events

Subsequent events have been evaluated through November 21, 2014, the date the financial statements were available to be issued.

Note 2 - Inventory

The following table indicates the inventory activity for the year ended June 30, 2014 and :

	Year Ended June 30, 2014		Year Ended June 30, 2013	
	Pounds	Dollars	Pounds	Dollars
Beginning food inventory	1,718,768	\$ 2,889,156	1,128,095	\$ 1,823,829
Inventory valuation change				
Food received from donations and purchases	37,001,662	63,933,104	36,737,834	62,611,578
Food shipped and other adjustments	<u>(36,947,053)</u>	<u>(63,818,833)</u>	<u>(36,147,161)</u>	<u>(61,546,251)</u>
Ending food inventory	<u>1,773,377</u>	<u>\$ 3,003,427</u>	<u>1,718,768</u>	<u>\$ 2,889,156</u>

Donated inventory was valued at \$1.72 and \$1.69 per pound as of June 30, 2014 and June 30, , which values were nationally established. Purchased inventory is valued at cost.

Note 3 - Note Receivable

During the year ended June 30, 2010, the Food Bank advanced \$8,785,700 to UFB NMTC Investment Fund (see Note 5) and was issued a note receivable. The note accrues interest at 0.5% annually. Payments of interest only are required quarterly through December 2016. Principal and interest payments are required January 2017 through maturity in January 2040.

Note 4 - Land, Building and Equipment

The carrying value of land, building and equipment as of June 30, 2014 and , was as follows:

	Useful Life	June 30, 2014	June 30, 2013
Land		\$ 1,851,633	\$ 1,851,633
Building and improvements	10-40 years	9,342,073	8,894,702
Furniture, vehicles and equipment	3-10 years	3,452,170	3,320,951
Total cost		14,645,876	14,067,286
Less accumulated depreciation		(3,794,015)	(3,167,364)
Net land, building and equipment		\$ 10,851,861	\$ 10,899,922

The Organization recognized depreciation expense of \$673,326 and \$684,674, respectively, during the years ended June 30, 2014 and .

Note 5 - New Market Tax Credit Project

In connection with the Organization’s effort to obtain a new facility, the Food Bank partnered with UFB NMTC Investment Fund and obtained additional funding for its facility by utilizing the federal New Markets Tax Credit Program (NMTC). As part of the process to obtain NMTC funding, the Food Bank formed Utah Food Bank Foundation, of which the Food Bank is the sole member. Utah Food Bank Foundation is a non-profit entity formed on December 1, 2009.

The NMTC permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must, in turn, be used by the CDE to provide investments in low-income communities. The tax credit provided to the investor totals 39 percent of the cost of the investment and the credit is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

In connection with the NMTC project, in December 2009, Utah Food Bank borrowed for one day \$8,785,700 from a financial institution. Utah Food Bank loaned the \$8,785,700 to UFB NMTC Investment Fund (see Note 3), who invested the funds in NFF New Markets Fund III, LLC. NFF New Markets Fund III, LLC then loaned \$8,785,700 to Utah Food Bank Foundation, along with additional loans of \$2,592,550 (see Note 6).

Utah Food Bank and Utah Food Bank Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

Utah Food Bank Foundation then used the funds to acquire inventory, property, and equipment from Utah Food Bank for \$10,384,365. The following day, Utah Food Bank repaid the loan of \$8,785,700 to the financial institution. With the assets acquired, the Foundation is designated as a Community Development Entity and operates a portion of the Organization's warehouse.

In December 2009 Utah Food Bank also granted to the investors of the NFF New Markets Fund III, LLC and the investors of the UFB NMTC Investment Fund (collectively, the Funds), the right to sell to Utah Food Bank, after seven years, their investments in the Funds for the sum of \$234,400. If the investors exercise this option, Utah Food Bank would be able to re-acquire the assets purchased by the Foundation and would be able to cancel the note receivable (see Note 3) and the notes payable (see Note 6). If the investors do not exercise this option, Utah Food Bank will have the option of purchasing at fair market value the investments in the Funds.

Note 6 - Notes Payable

During the year ended June 30, 2010, the Foundation issued three long-term notes payable as a part of the New Market Tax Credit Project (Note 5). The payment terms and balances are summarized as follows as of June 30, 2014 and :

	June 30, 2014	June 30, 2013
Note payable to investment fund, annual interest of 1.09%, payable quarterly. Interest-only through December 2016. Quarterly principal and interest payments of \$108,053 due January 2017 through maturity at January 2040. Secured by equipment and buildings.	\$ 8,785,700	\$ 8,785,700
Note payable to investment fund, annual interest of 1.09%, payable quarterly. Interest-only through December 2016. Quarterly principal and interest payments of \$29,890 due January 2017 through maturity at January 2040. Secured by equipment and buildings.	2,430,324	2,430,324
Note payable to investment fund, annual interest of 1.09%, payable quarterly. Interest-only through December 2016. Quarterly principal and interest payments of \$1,995 due January 2017 through maturity at January 2040. Secured by equipment and buildings.	162,226	162,226
	\$ 11,378,250	\$ 11,378,250

As of June 30, 2014, scheduled future annual maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 123,613	\$ 123,613
2016	-	151,770	151,770
2017	408,899	122,697	531,596
2018	442,379	117,374	559,753
2019	447,205	112,549	559,754
2020 - 2040	10,079,767	1,152,239	11,232,006
Total	\$ 11,378,250	\$ 1,780,242	\$ 13,158,492

Utah Food Bank and Utah Food Bank Foundation
Notes to Consolidated Financial Statements
June 30, 2014 and 2013

In connection with the New Market Tax Credit project and the issuance of the notes payable, the Foundation incurred debt issuance costs of \$423,280. The debt issuance costs are amortized on a straight-line basis across the projected loan period. Amortization expense for the years ended June 30, 2014 and was \$60,468 each year, while accumulated amortization was \$272,110 and \$211,643 at the end of each year.

The Foundation is required to keep on deposit a reserve for future interest payments. As of June 30, 2014 and , the reserve balance was \$197,714 and \$277,372, respectively.

During the year ended June 30, 2012, the Organization secured a loan of \$981,575 from a financial institution bearing a variable interest rate tied to the five-year Libor Index. The interest rate for this loan is calculated by adding 3.5 points to the Index, which resulted in a variable interest rate of 4.375% as of June 30, 2014. The loan is payable in monthly installments of \$6,142, including interest, and matures in 2032. The loan is secured by equipment and buildings.

The loan also includes various covenants, including a requirement that the Organization maintain a debt coverage ratio of 1.25 to 1.0. As of June 30, 2014, the Organization's debt coverage ratio was above the required minimum amount. The debt coverage ratio is evaluated at the end of the Organization's fiscal year.

As of June 30, 2014, scheduled future annual maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 35,123	\$ 38,577	\$ 73,700
2016	36,690	37,009	73,699
2017	38,328	35,371	73,699
2018	40,039	33,661	73,700
2019	41,826	31,873	73,699
Thereafter	<u>707,931</u>	<u>210,481</u>	<u>918,412</u>
Total	<u>\$ 899,937</u>	<u>\$ 386,972</u>	<u>\$ 1,286,909</u>

Note 7 - Employee Benefit Plan

The Organization has adopted a 403(b) Thrift Plan for its employees whereby employees can contribute a certain percentage of their compensation. The Organization may also contribute to the plan, at the Organization's discretion. The Organization contributed \$150,067 and \$141,032 for the years ended June 30, 2014 and , respectively.

Note 8 - Supplemental Cash Flow Information

Cash paid for interest was \$164,333 and \$168,570 for the years ended June 30, 2014 and , respectively.

Note 9 - Related Party Transactions

The Organization makes regular food purchases from various suppliers. Three of the Organization's board members are employed by different food suppliers from which the Organization purchases food. During the years ended June 30, 2014 and , the Organization purchased \$39,273 and \$46,930, respectively, in food from one supplier and \$98,354 and \$60,121, respectively, from the other. In addition, to take advantage of discounted fuel prices during the years ended June 30, 2014 and , the Organization purchased \$279,399 and \$264,847, respectively, of fuel through a shipping company of which one of the board members is employed. Another board member is associated with a financial institution which is holding a promissory note for the Organization. See also Note 6 for information regarding notes payable.

In accordance with the Organization conflict of interest policy, board members shall excuse themselves from positions, discussions, or votes where they have, appear to have, or believe they have a conflict of interest that would prevent them from acting in the best interests of the Organization.



Supplementary Information
June 30, 2014

Utah Food Bank and Utah Food Bank Foundation

Utah Food Bank and Utah Food Bank Foundation
Consolidating Schedule of Assets, Liabilities and Net Assets
June 30, 2014

	Utah Food Bank	Utah Food Bank Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 2,205,712	\$ 37,848	\$ -	\$ 2,243,560
Accounts receivable				
Government contracts	150,837	-	-	150,837
Pledges receivable, net	27,987	-	-	27,987
Other	886	-	-	886
Food inventory	3,003,427	-	-	3,003,427
Cash equivalents - debt service reserve	-	197,714	-	197,714
Debt issuance costs, net	-	299,529	(415,407) A 267,048 A	151,170
Note receivable	8,785,700	-	-	8,785,700
Investment in affiliate	439,407	-	(439,407) B	-
Land, building and equipment, net	4,853,102	5,998,759		10,851,861
Total Assets	<u>\$19,467,058</u>	<u>\$ 6,533,850</u>	<u>\$ (587,766)</u>	<u>\$ 25,413,142</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 105,304	\$ -	\$ -	\$ 105,304
Accrued liabilities	350,717	-	-	350,717
Notes payable	899,937	11,378,250	-	12,278,187
Total liabilities	<u>1,355,958</u>	<u>11,378,250</u>	<u>-</u>	<u>12,734,208</u>
Net Assets				
Designated:				
Food inventories	3,003,427	-	-	3,003,427
Property and equipment, net of related debt	3,953,165	-	-	3,953,165
Undesignated	10,984,086	(4,844,400)	(439,407) B (148,359) A	5,551,920
Temporarily restricted	170,422	-	-	170,422
Total net assets	<u>18,111,100</u>	<u>(4,844,400)</u>	<u>(587,766)</u>	<u>12,678,934</u>
Total Liabilities and Net Assets	<u>\$19,467,058</u>	<u>\$ 6,533,850</u>	<u>\$ (587,766)</u>	<u>\$ 25,413,142</u>

Utah Food Bank and Utah Food Bank Foundation
Consolidating Schedule of Activities
June 30, 2014

	Utah Food Bank	Utah Food Bank Foundation	Eliminations	Total
Public Support and Revenues				
In-Kind Support				
Volunteers	\$ 16,558	\$ -	\$ -	\$ 16,558
Food	63,324,391	-	-	63,324,391
Other supplies and equipment	49,283	-	-	49,283
Total in-kind support	<u>63,390,232</u>	<u>-</u>	<u>-</u>	<u>63,390,232</u>
Direct Contributions				
Contributions	5,586,663	-	-	5,586,663
Grants	2,014,011	-	-	2,014,011
United Way	224,642	-	-	224,642
Total direct contributions	<u>7,825,316</u>	<u>-</u>	<u>-</u>	<u>7,825,316</u>
Revenues				
Government contracts	1,571,286	-	-	1,571,286
Rental income	-	61,750	(61,750) C	-
Gain on sale of assets	1,000	-	-	1,000
Interest income and other	48,098	22	-	48,120
Total revenues	<u>1,620,384</u>	<u>61,772</u>	<u>(61,750)</u>	<u>1,620,406</u>
Total public support and revenues	<u>72,835,932</u>	<u>61,772</u>	<u>(61,750)</u>	<u>72,835,954</u>
Program Expenses				
Logistics	67,537,152	54,986	-	67,592,138
Food programs and other	1,927,337	7,843	-	1,935,180
Total program expenses	<u>69,464,489</u>	<u>62,829</u>	<u>-</u>	<u>69,527,318</u>
Support Expenses				
Development	1,670,000	-	-	1,670,000
Management and general	1,538,817	425,736	(61,750) C (59,344) A	1,843,459
Total expenses	<u>72,673,306</u>	<u>488,565</u>	<u>(121,094)</u>	<u>73,040,777</u>
Change in Net Assets	162,626	(426,793)	59,344	(204,823)
Net Assets at Beginning of Year	<u>17,948,474</u>	<u>(4,417,607)</u>	<u>(647,110) A,B</u>	<u>12,883,757</u>
Net Assets at End of Year	<u>\$ 18,111,100</u>	<u>\$ (4,844,400)</u>	<u>\$ (587,766)</u>	<u>\$ 12,678,934</u>

Utah Food Bank and Utah Food Bank Foundation
Eliminating Entries to Consolidating Schedules
June 30, 2014

Eliminating Entry A – Eliminates debt issuance costs paid by the Foundation to the Food Bank, net of the accumulated amortization through June 30, 2014.

Eliminating Entry B – Eliminates the Food Bank’s investment in the Foundation.

Eliminating Entry C – Eliminates intercompany building and equipment rent.