

Montana Food Bank Network

Financial Statements

Years Ended June 30, 2013 and 2012



Junkermier • Clark

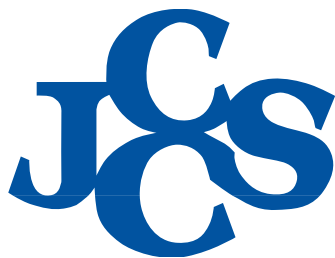
Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

Montana Food Bank Network

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Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Montana Food Bank Network
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Montana Food Bank Network (a nonprofit corporation), which comprise the statements of financial position as of June 30, 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 the 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 the financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Food Bank Network, as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of Montana Food Bank Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montana Food Bank Network's internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
November 11, 2013

Montana Food Bank Network
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 1,210,451	\$ 761,761
Accounts receivable	12,699	33,741
Grants receivable	6,243	256,673
Inventories	692,918	612,321
Prepaid expenses	<u>4,643</u>	<u>4,126</u>
Total current assets	1,926,954	1,668,622
Property and equipment, net	1,515,072	1,605,954
Investments	41,299	66,299
Building reserves	<u>-</u>	<u>18,480</u>
Total assets	<u><u>\$ 3,483,325</u></u>	<u><u>\$ 3,359,355</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 40,903	\$ 314,280
Accrued liabilities	17,739	26,781
Notes payable, current	-	9,251
Mortgages payable, current	<u>22,025</u>	<u>14,598</u>
Total current liabilities	80,667	364,910
Long-term liabilities		
Notes payable, net of current portion	-	40,228
Mortgages payable, net of current portion	<u>293,176</u>	<u>293,369</u>
Total long-term liabilities	<u>293,176</u>	<u>333,597</u>
Total liabilities	373,843	698,507
Net assets		
Unrestricted	2,917,408	2,613,505
Unrestricted - board designated	10,305	-
Temporarily restricted	<u>181,769</u>	<u>47,343</u>
Total net assets	<u>3,109,482</u>	<u>2,660,848</u>
Total liabilities and net assets	<u><u>\$ 3,483,325</u></u>	<u><u>\$ 3,359,355</u></u>

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

Montana Food Bank Network
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted Activities	Temporarily Restricted Activities	Total
Public support and revenue			
Public support			
Value of donated food	\$ 9,499,712	\$ -	\$ 9,499,712
Contributions	1,308,616	28,708	1,337,324
Contributions - in-kind	34,108	-	34,108
Grants	460,904	231,756	692,660
Special events	75,145	6,000	81,145
Net assets released from restriction	132,038	(132,038)	-
Total public support	11,510,523	134,426	11,644,949
Revenue			
Shared maintenance fees	200,158	-	200,158
Partnership food sales	334,596	-	334,596
Other revenue	6,854	-	6,854
Total revenue	541,608	-	541,608
Total public support and revenue	12,052,131	134,426	12,186,557
Expenses			
Program services			
Value of donated food distributed	9,164,579	-	9,164,579
Food distribution	1,600,333	-	1,600,333
Public policy	154,915	-	154,915
Total program services	10,919,827	-	10,919,827
Support services			
Administration	130,183	-	130,183
Fundraising	687,913	-	687,913
Total support services	818,096	-	818,096
Total program and support services	11,737,923	-	11,737,923
Change in net assets	314,208	134,426	448,634
Net assets - beginning of year	2,613,505	47,343	2,660,848
Net assets - end of year	<u>\$ 2,927,713</u>	<u>\$ 181,769</u>	<u>\$ 3,109,482</u>

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

Montana Food Bank Network
Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted Activities	Temporarily Restricted Activities	Total
Public support and revenue			
Public support			
Value of donated food	\$ 8,003,780	\$ -	\$ 8,003,780
Contributions	1,242,858	31,940	1,274,798
Contributions - in-kind	16,124	-	16,124
Grants	652,656	85,040	737,696
Special events	120,745	10,000	130,745
Net assets released from restriction	<u>266,755</u>	<u>(266,755)</u>	-
Total public support	10,302,918	(139,775)	10,163,143
Revenue			
Shared maintenance fees	164,912	-	164,912
Partnership food sales	86,056	-	86,056
Other revenue	<u>15,228</u>	<u>-</u>	<u>15,228</u>
Total revenue	<u>266,196</u>	<u>-</u>	<u>266,196</u>
Total public support and revenue	10,569,114	(139,775)	10,429,339
Expenses			
Program services			
Value of donated food distributed	8,421,628	-	8,421,628
Food distribution	1,327,504	-	1,327,504
Public policy	<u>183,304</u>	<u>-</u>	<u>183,304</u>
Total program services	9,932,436	-	9,932,436
Support services			
Administration	104,818	-	104,818
Fundraising	<u>673,603</u>	<u>-</u>	<u>673,603</u>
Total support services	<u>778,421</u>	<u>-</u>	<u>778,421</u>
Total program and support services	<u>10,710,857</u>	<u>-</u>	<u>10,710,857</u>
Change in net assets	(141,743)	(139,775)	(281,518)
Net assets - beginning of year	<u>2,755,248</u>	<u>187,118</u>	<u>2,942,366</u>
Net assets - end of year	<u><u>\$ 2,613,505</u></u>	<u><u>\$ 47,343</u></u>	<u><u>\$ 2,660,848</u></u>

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

Montana Food Bank Network
Statement of Functional Expenses
For the Year Ended June 30, 2013

	<u>Food Distribution</u>	<u>Public Policy</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Value of donated food distributed	\$ 9,164,579	\$ -	\$ -	\$ -	\$ 9,164,579
Cost of food delivered	993,970	-	-	-	993,970
Salaries	238,146	102,509	80,357	106,763	527,775
Payroll taxes	33,278	10,415	8,873	12,599	65,165
Employee benefits	26,688	5,416	6,028	8,358	46,490
Training	3,140	1,133	3,986	3,424	11,683
Travel	4,574	3,410	3,134	2,476	13,594
Supplies	11,686	2,055	1,980	18,588	34,309
Printing and publications	1,027	4,526	210	361,676	367,439
Postage and delivery	928	2,032	941	98,124	102,025
Telephone	5,502	1,327	1,118	2,113	10,060
Advertising	36	6,000	90	4,361	10,487
Contract services	7,364	8,203	5,199	38,229	58,995
Professional fees	-	-	11,500	295	11,795
Conference and meeting costs	1,729	1,862	75	113	3,779
Agency grants	2,820	-	-	-	2,820
Insurance	13,770	1,270	2,228	3,497	20,765
Dues and subscriptions	8,633	298	616	1,496	11,043
Utilities	28,934	953	328	960	31,175
Equipment purchases	2,003	1,052	177	372	3,604
Depreciation	130,771	1,644	1,195	3,272	136,882
Repairs and maintenance	36,473	481	398	622	37,974
Fuel, oil, and gas	34,453	-	-	296	34,749
Interest	12,888	285	411	285	13,869
Bank and finance charges	1,469	31	64	5,820	7,384
In-kind expenses	-	-	-	14,072	14,072
Other	51	13	1,275	102	1,441
Total expenses	<u>\$ 10,764,912</u>	<u>\$ 154,915</u>	<u>\$ 130,183</u>	<u>\$ 687,913</u>	<u>\$ 11,737,923</u>
Percentage of total expenses	92 %	1 %	1 %	6 %	100 %

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

Montana Food Bank Network
Statement of Functional Expenses
For the Year Ended June 30, 2012

	<u>Food Distribution</u>	<u>Public Policy</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Value of donated food distributed	\$ 8,421,628	\$ -	\$ -	\$ -	\$ 8,421,628
Cost of food delivered	706,177	-	-	-	706,177
Salaries	246,403	107,850	60,269	131,966	546,488
Payroll taxes	33,960	11,870	6,948	14,522	67,300
Employee benefits	18,838	6,424	4,192	11,554	41,008
Training	-	2,511	3,490	801	6,802
Travel	2,372	4,332	617	1,320	8,641
Supplies	9,931	2,341	2,143	14,712	29,127
Printing and publications	7,523	7,959	281	323,036	338,799
Postage and delivery	1,725	1,774	984	83,685	88,168
Telephone	1,087	1,768	1,181	2,231	6,267
Advertising	5,583	4,694	-	2,754	13,031
Contract services	6,933	20,747	4,418	48,888	80,986
Professional fees	410	137	9,896	137	10,580
Conference and meeting costs	1,365	2,170	71	486	4,092
Agency grants	2,670	-	-	-	2,670
Insurance	14,408	1,499	2,017	2,390	20,314
Dues and subscriptions	8,117	316	332	5,352	14,117
Utilities	31,482	2,118	1,061	2,487	37,148
Equipment purchases	1,396	419	119	808	2,742
Depreciation	148,986	2,749	1,444	3,465	156,644
Repairs and maintenance	25,100	479	266	479	26,324
Fuel, oil, and gas	35,233	-	-	131	35,364
Interest	17,508	995	498	1,161	20,162
Bank and finance charges	-	39	45	4,987	5,071
In-kind expenses	-	-	-	16,124	16,124
Other	297	113	4,546	127	5,083
Total expenses	<u>\$ 9,749,132</u>	<u>\$ 183,304</u>	<u>\$ 104,818</u>	<u>\$ 673,603</u>	<u>\$ 10,710,857</u>
Percentage of total expenses	91 %	2 %	1 %	6 %	100 %

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

Montana Food Bank Network
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 448,634	\$ (281,518)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	136,882	156,644
Loss on disposal of assets	15,136	1,675
Unrealized (gain) on investments	-	(169)
In-kind donations	(34,108)	(16,124)
In-kind expenses	34,108	16,124
Changes in operating assets and liabilities		
Receivables	271,472	(20,589)
Inventories	(80,597)	357,302
Prepaid expenses	(517)	6,734
Accounts payable	(273,377)	53,246
Accrued liabilities	<u>(9,042)</u>	<u>7,783</u>
Net cash from operating activities	<u>508,591</u>	<u>281,108</u>
Cash flows from investing activities		
Purchase of property and equipment	(61,136)	(25,047)
Proceeds from sales of investments	<u>43,480</u>	<u>4,800</u>
Net cash from investing activities	<u>(17,656)</u>	<u>(20,247)</u>
Cash flows from financing activities		
Payments on long-term debt	<u>(42,245)</u>	<u>(21,171)</u>
Net cash from financing activities	<u>(42,245)</u>	<u>(21,171)</u>
Net increase in cash and equivalents	448,690	239,690
Cash and cash equivalents - beginning of year	<u>761,761</u>	<u>522,071</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,210,451</u></u>	<u><u>\$ 761,761</u></u>
<u>Non-Cash Financing Activity</u>		
Refinance of long-term debt	<u><u>\$ 327,815</u></u>	<u><u>\$ -</u></u>
<u>Supplemental Disclosures</u>		
Cash paid for interest	<u><u>\$ 14,462</u></u>	<u><u>\$ 19,569</u></u>

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

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies

Organization

The Montana Food Bank Network, Inc. ("MFBN") ("the Organization") is a nonprofit, tax-exempt (section 501(c)(3)) organization whose vision is building a unified force to address hunger in Montana. The mission of MFBN is working to eliminate hunger in Montana through food acquisition and distribution, education and advocacy. It acts to accomplish its mission by soliciting, warehousing and transporting food and distributing it to charitable programs that directly serve needy families, children and seniors in the State of Montana. The Organization partners with 194 agencies across the State of Montana that include community operated food banks, food pantries, soup kitchens, senior centers, day care centers, rehabilitation facilities and group homes. MFBN coordinates the hunger-relief work of its Partner Agencies through promoting hunger awareness in Montana, maintenance of publications and resources, facilitating a state-wide system for the transportation and storage of food, and providing education on hunger-related issues. The following are the major programs of the Organization.

Food Distribution - MFBN solicits food donations from the food industry, Feeding America (the national food bank system), formerly known as America's Second Harvest, Montana retailers and wholesalers, and produce recovery efforts through statewide and regional farmers. The Organization is contracted with the U.S. Department of Agriculture and the State of Montana to warehouse and distribute The Emergency Food Assistance Program ("TEFAP") commodity food. The Organization also purchases food with grant and donated funds at wholesale cost for benefit of its Partner Agencies. Donated, commodity and purchased food is then transported, warehoused and distributed to charitable programs that directly serve needy people throughout all 56 counties in the State of Montana.

Complimentary to its Food Distribution model, MFBN also fights hunger by providing a Mobile Food Pantry that distributes food to unserved and underserved communities in Montana. In an effort to combat childhood hunger, the Organization has begun a Backpack Program in local area counties to provide healthy food that income-qualified students at risk of hunger can take home and eat over the weekend and during school holidays.

Public Policy Program - MFBN promotes sustainable solutions to hunger and works to address long-term chronic hunger issues. The Organization aims to improve access to adequate nutrition among Montanans with limited income by increasing awareness about and access to public nutrition programs through application assistance workshops, community meetings and working with those interested in applying. The Organization also collects and monitors data on hunger, food insecurity, and access to affordable healthy food. The Organization promotes public awareness and encourages Montanans to make the hunger issue a priority by establishing an ongoing dialogue about ways to end hunger in our communities. MFBN's Food Security Council ("the Council") provides a forum for discussion and sharing best practices among anti-hunger leaders. The Council serves to identify barriers that create food insecurity, gaps in services, and the need for program development throughout the state.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Organization's financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

The financial statement presentation follows the recommendation of Financial Accounting Standards Board Accounting Standards Codification 958-205, *Not for Profit Entities* (FASB ASC 958-205). Under ASC 958-205, MFBN is required to report information regarding its financial information and activities according to three classes of net assets: unrestricted net assets, which represent the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represent resources restricted by donors as to purpose or by passage of time; and permanently restricted net assets, which represent resources whose use by MFBN is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MFBN. The Organization presently has no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains various accounts at local banks that are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization's bank accounts may exceed the FDIC limits at various times during the year. The Organization believes they are not exposed to any significant credit risk on cash balances.

Investments

Investments are composed of certificates of deposit with original maturities in excess of three months and are reported at fair value based on quoted market prices. Interest income on these investments is included in investment income. The Organization determined the fair value of its investments through the application of FASB ASC 820, *Fair Value Measurements and Disclosures* and all investments are valued using Level 1 inputs. The value of investments at June 30, 2013 and 2012 is \$41,299 and \$66,299, respectively.

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts and Grants Receivable

The Organization uses the allowance method for uncollectible receivables. Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off. There were no bad debts recorded for the years ended June 30, 2013 and 2012. The allowance for doubtful accounts is estimated at zero for the years ended June 30, 2013 and 2012.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies (Continued)

Inventory

Inventories consist of food that has been donated or purchased during the current year and has not yet been distributed. In accordance with Feeding America's Product Valuation Survey, donated inventory items are valued at \$1.69 and \$1.66 per pound as of June 30, 2013 and 2012, respectively.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which ranges from 5-7 years for equipment to 39 years for buildings. The Organization capitalizes all expenditures for property and equipment equal to or greater than \$1,000 and having a useful life exceeding one year.

Donated Goods and Services

MFBN reports gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and, shortly thereafter, as an expense when granted to MFBN agencies.

In addition, many individuals and organizations have made in-kind donations or volunteered their services to MFBN. Accounting principles generally accepted in the United States of America requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind donations consisting of donated printing and other qualifying services were \$34,108 and \$16,124 for the years ended June 30, 2013 and 2012, respectively.

Additionally, many individuals volunteer their time and skills to perform a variety of tasks that assist MFBN, but these services do not meet the criteria for recognition as contributed services. The estimated value of services that do not meet the criteria for recognition was \$160,104 and \$94,961 for the years ended June 30 2013 and 2012, respectively.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. Contributions, including unconditional pledges, are recognized in the period received. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

The Organization receives grants from the Federal and State governments that are conditioned upon MFBN incurring certain qualifying costs. These grants are considered to be conditional promises to give and therefore are recognized as unrestricted revenue as those costs are incurred.

Advertising Costs

The Organization expenses non-direct response advertising costs as incurred.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization has implemented FASB ASC 740-10. ASC 740-10 addresses the accounting for uncertainties in income taxes recognized by an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The determination of tax exempt status is considered to be a tax position taken with respect to the provisions of ASC 740-10. The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Organization has no uncertain tax positions that would be subject to recognition under ASC 740-10.

The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities, generally, for three years after the filing date or the due date of the return; whichever occurs later.

Functional Allocation of Expenses

The costs of providing various programs and activities are summarized on a functional basis in the statement of activities. Certain administrative and other costs have been allocated among the programs based on specific identification or based on estimates of the expenses incurred. The primary activity groups and their related purposes are summarized as follows:

Administrative Expenses - Expenses which allow MFBN to operate and provide services to clients, but are not directly attributable to client services.

Program Services - Expenses which are associated with food distribution, education, and outreach activities.

Fundraising Expenses - Provides for direct mail fundraising and low-cost supplies and services for special events and activities designed to create public awareness and support for hunger-related issues.

2. Building Reserve

A summary of reserves at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Certificate of deposit	<u>\$ -</u>	<u>\$ 18,480</u>

The certificate of deposit was reserved for building improvements as required under MFBN's USDA mortgage note (see Note 6), and is reinvested quarterly to annually in a 3 to 12-month certificate. The USDA mortgage was refinanced in 2013. Due to the refinancing of the USDA mortgage, the reserve account has been reclassified into operating cash.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

3. Grants Receivable

The following grants receivable are considered unconditional promises to give:

	<u>2013</u>	<u>2012</u>
Montana State Department of Public Health and Human Services		
Award "FAM Food Revenue"	\$ -	\$ 2,737
Award "House Bill #2"	2,000	250,000
United States Department of Agriculture		
Award "Emergency Food Assistance Program"	<u>4,243</u>	<u>3,936</u>
Total grants receivable	<u>\$ 6,243</u>	<u>\$ 256,673</u>

Grants receivable are expected to be collected as follows:

Less than one year	<u>\$ 6,243</u>	<u>\$ 256,673</u>
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4. Conditional Grants Receivable

MFBN had the following conditional promises to give that are not recognized as assets in the statement of financial position. The grants are reimbursement based contracts that are conditional upon related expenditures being made.

	<u>2013</u>	<u>2012</u>
Montana State Department of Public Health and Human Services		
Award "Emergency Food Assistance Program"	<u>\$ 68,121</u>	<u>\$ 35,086</u>
Total	<u>\$ 68,121</u>	<u>\$ 35,086</u>

5. Property and Equipment

Property and equipment consists of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 67,500	\$ 67,500
Buildings	1,221,245	1,221,245
Building improvements	238,182	238,182
Machinery and equipment	730,257	744,823
Computer equipment and software	<u>109,757</u>	<u>68,621</u>
	2,366,941	2,340,371
Less accumulated depreciation	<u>(851,869)</u>	<u>(734,417)</u>
Total	<u>\$ 1,515,072</u>	<u>\$ 1,605,954</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$136,882 and \$156,644, respectively.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

6. Notes and Mortgages Payable

Notes and Mortgages payable at June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Note payable to First Security Bank due November 2024, interest at 4.25%, payable \$2,910 monthly including interest; secured by by building and land	\$ 315,201	\$ -
Mortgage payable to United States Department of Agriculture due July 2039, interest at 4.75%, payable \$1,538 monthly including interest, secured by building and land	-	280,600
Note payable to First Security Bank due April 2014, fixed interest at 6.25%, payable \$1,005 monthly including interest; secured by building and land	-	49,478
Mortgage payable to First Security Bank due July 2019, variable interest at 3.75% to 8.75%, payable \$852 monthly including interest; secured by building and land	<u>-</u>	<u>27,368</u>
	315,201	357,446
Less current portion	<u>(22,025)</u>	<u>(23,849)</u>
Notes and mortgages payable, net of current portion	<u><u>\$ 293,176</u></u>	<u><u>\$ 333,597</u></u>

The aggregate annual maturities of long-term debt as of June 30, 2013 are as follows:

2014	\$ 22,025
2015	22,901
2016	23,893
2017	24,929
2018	26,009
Thereafter	<u>195,444</u>
	<u><u>\$ 315,201</u></u>

In addition, the USDA requires \$154 per month be deposited into a reserve account until the total value of the reserve account reaches \$18,480. Reserve funds may be used for making extensions or improvements to the facility, and repairing or replacing any damage to the facility. Whenever disbursements are made, monthly deposits shall be resumed until \$18,480 is accumulated. The balance in the reserve as of June 30, 2013 and 2012 was zero and \$18,480, respectively. Due to the refinancing of the USDA mortgage, the reserve account has been reclassified into operating cash.

Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

7. Line of Credit

MFBN has one line of credit with a local bank which provides borrowings up to a maximum of \$50,000, at a rate of 4.50%, and matures on August 1, 2014. As of June 30, 2013 and 2012, MFBN had no outstanding balances.

8. Contract Advances

In certain instances, MFBN may request an advance from a grantor to cover anticipated expenses to be incurred for the grant. Accordingly, at times, there may be advances of cash received on grants which have not yet been earned. Such advances are recorded as liabilities in the statement of financial position until expenses have been incurred to satisfy the conditions of the promise to give. There were no unearned contract advances as of June 30, 2013 and 2012, respectively.

9. Employee Benefit Plan

Montana Food Bank Network employees may participate in a Code Section 403(b) Defined Contribution Retirement Plan. Employees are eligible to participate on a voluntary basis on the plan entry date following employment and are fully vested upon contribution. For the year ended June 30, 2013 and 2012, Montana Food Bank Network contributed no matching contributions.

10. Net Assets

Donor restrictions on temporarily restricted net assets consist of the following at June 30, 2013 and 2012:

	2013	2012
Restricted for vehicle, building, and equipment	\$ 209	\$ 263
Food distribution support	97,461	32,421
Backpack program	64,099	14,659
Total	<u>\$ 161,769</u>	<u>\$ 47,343</u>

11. Related Party Transactions

The Organization's mortgage loan is financed by the business of a board member. Refer to the notes payable disclosure note for the details of the transaction.

12. Reclassifications

Certain reclassifications to unrestricted contributions have been made to the 2012 financial statement presentation to correspond to the current year's format. There was no effect on total net assets for the year ended June 30, 2012 as a result of these changes.

**Montana Food Bank Network
Notes to Financial Statements
Years Ended June 30, 2013 and 2012**

13. Subsequent Event

The organization has evaluated subsequent events through November 11, 2013, the date which the financial statements were available to be issued.

Montana Food Bank Network
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Program Description	Federal CFDA Number	Contract No.	Federal Expenditures
U.S. Department of Agriculture			
Montana Department of Public Health and Human Services, Intergovernmental Human Services Bureau The Emergency Food Assistance Program (EFAP)	10.568	12-027-24001-0 (Amendment #1)	\$ 35,086
The Emergency Food Assistance Program (EFAP)	10.568	13-027-24001-0 (Amendment #1)	40,792
Total CFDA 10.568			<u>75,878</u>
Total U.S. Department of Agriculture			<u>75,878</u>
U.S. Department of Health and Human Services			
Montana Department of Public Health and Human Services, Public Assistance Bureau Temporary Assistance for Needy Families (TANF)	93.558	13-022-55020-0	100,000
Total CFDA 93.558			<u>100,000</u>
Total U.S. Department of Health and Human Services			<u>100,000</u>
Total Federal Programs			<u>\$ 175,878</u>

See the accompanying notes to the schedule of expenditures of federal awards.

Montana Food Bank Network
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

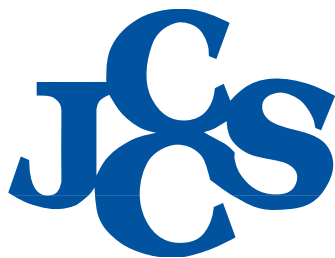
1. Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of Montana Food Bank Network and does not include any federal awards reported by subsidiaries. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through from other government agencies, is included in this schedule.

2. Basis of Presentation

The accounting policies used in preparing the Schedule of Expenditures of Federal Awards are the same as those used in the preparation of the basic financial statements as described in Note 1 to the financial statements.

The information included in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements. Reported Federal expenditures include only expenditures paid with Federal funds or reportable program income.



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Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors and Management
Montana Food Bank Network
Missoula, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montana Food Bank Network (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montana Food Bank Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montana Food Bank Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

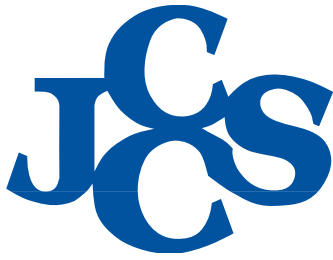
As part of obtaining reasonable assurance about whether Montana Food Bank Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
November 11, 2013



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Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Compliance For
Each Major Program and on Internal Control Over Compliance
Required By OMB Circular A-133**

Board of Directors and Management
Montana Food Bank Network
Missoula, Montana

Report on Compliance for Each Major Federal Program

We have audited Montana Food Bank Network's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Montana Food Bank Network's major federal programs for the year ended June 30, 2013. Montana Food Bank Network's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Montana Food Bank Network's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montana Food Bank Network's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Montana Food Bank Network's compliance.

Opinion on Each Major Federal Program

In our opinion, Montana Food Bank Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Montana Food Bank Network is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montana Food Bank Network's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Montana Food Bank Network's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
November 11, 2013

**Montana Food Bank Network
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

I. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Montana Food Bank Network.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Montana Food Bank Network were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required By OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Montana Food Bank Network expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Montana Food Bank Network reported in Part III of this schedule.
7. The programs tested as major programs include the following: USDA CFDA 10.568 and DPHHS CFDA 93.558.
8. The threshold for distinguishing Types A and B programs was \$300,000 in expenditures.
9. Montana Food Bank Network did not qualify as a low-risk auditee.

II. Findings - Financial Statements Audit

No matters were reported.

III. Findings and Questioned Costs - Major Federal Award Programs

No matters were reported.

IV. Status of Prior Year Findings

No matters were reported.