

MIDDLE GEORGIA COMMUNITY FOOD
BANK, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Middle Georgia Community Food Bank, Inc.
Macon, Georgia

We have audited the accompanying statements of financial position of Middle Georgia Community Food Bank, Inc. (a not-for-profit organization) as of December 31, 2008 and 2007, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middle Georgia Community Food Bank, Inc. as of December 31, 2008 and 2007, and its activities, cash flows, and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Howard, Moore & McDuffie, P.C.

April 21, 2009

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 322,071	\$ 228,061
Reimbursement receivable	180,263	200,559
Program service fees receivable	57,757	91,930
Prepaid expenses	<u>13,555</u>	<u>14,982</u>
TOTAL CURRENT ASSETS	<u>573,646</u>	<u>535,532</u>
PROPERTY, PLANT, AND EQUIPMENT		
Property, plant, and equipment, net	1,525,268	1,325,460
Property held for sale at fair value	<u>-</u>	<u>204,748</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>1,525,268</u>	<u>1,530,208</u>
OTHER ASSETS		
Cash restricted for purchase of property and equipment	<u>10,946</u>	<u>57,205</u>
TOTAL ASSETS	<u><u>\$ 2,109,860</u></u>	<u><u>\$ 2,122,945</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,480	\$ 8,677
Accrued expenses	75,129	70,515
Note payable, line of credit	180,263	200,000
Current portion of long-term debt	<u>16,069</u>	<u>22,820</u>
TOTAL CURRENT LIABILITIES	<u>276,941</u>	<u>302,012</u>
NON-CURRENT LIABILITIES		
Note payable, long-term	<u>424,462</u>	<u>439,945</u>
TOTAL LIABILITIES	<u>701,403</u>	<u>741,957</u>
NET ASSETS		
Unrestricted	1,101,811	1,044,602
Unrestricted - designated	<u>295,700</u>	<u>279,181</u>
Total unrestricted net assets	1,397,511	1,323,783
Temporarily restricted	<u>10,946</u>	<u>57,205</u>
TOTAL NET ASSETS	<u>1,408,457</u>	<u>1,380,988</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,109,860</u></u>	<u><u>\$ 2,122,945</u></u>

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

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CHANGES IN UNRESTRICTED NET ASSETS, REVENUES AND OTHER SUPPORT		
Program service fees	\$ 691,555	\$ 701,147
S.N.A.P. Reimbursement	587,576	511,103
United Way allocations	54,185	54,162
Contributions, unrestricted	84,395	61,522
Government grants	16,200	17,100
In-kind contributions	963,352	482,994
Gain on disposal of asset	8,289	-
Interest income	8,068	7,934
Other income	12,065	-
	<u>2,425,685</u>	<u>1,835,962</u>
TOTAL UNRESTRICTED REVENUES AND GAINS		
	2,425,685	1,835,962
NET ASSETS RELEASED FROM RESTRICTIONS	<u>66,259</u>	<u>-</u>
TOTAL UNRESTRICTED REVENUES, GAINS, AND OTHER SUPPORT	<u>2,491,944</u>	<u>1,835,962</u>
EXPENSES		
Program services	2,247,576	1,680,705
General and administrative	159,885	127,169
Fundraising	10,755	9,423
	<u>2,418,216</u>	<u>1,817,297</u>
TOTAL EXPENSES		
	2,418,216	1,817,297
INCREASE IN UNRESTRICTED NET ASSETS	<u>73,728</u>	<u>18,665</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted grants from non-profit organizations	20,000	-
Net assets released from restrictions	<u>(66,259)</u>	<u>-</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(46,259)</u>	<u>-</u>

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

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
INCREASE IN NET ASSETS BEFORE EXTRAORDINARY ITEMS	\$ 27,469	\$ 18,665
EXTRAORDINARY ITEMS		
Impairment loss on property held for sale	<u>-</u>	<u>(96,928)</u>
INCREASE (DECREASE) IN NET ASSETS	27,469	(78,263)
NET ASSETS, beginning	<u>1,380,988</u>	<u>1,459,251</u>
NET ASSETS, ending	<u>\$ 1,408,457</u>	<u>\$ 1,380,988</u>

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

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 27,469	\$ (78,263)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	81,886	77,970
(Gain) loss on disposal/impairment of property	(8,289)	96,928
(Increase) decrease in:		
Program service fees receivable	34,173	(28,807)
Reimbursement receivable	20,296	(65,880)
Prepaid expenses	1,427	(5,945)
Increase (decrease) in:		
Accounts payable	(3,197)	8,677
Accrued expenses	4,614	(8,489)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>158,379</u>	<u>(3,809)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES		
Cash payments for the purchase of property	(283,904)	(3,908)
Cash proceeds from the sale of property	215,247	-
Assets restricted for purchases of equipment	46,259	-
NET CASH USED BY INVESTING ACTIVITIES	<u>(22,398)</u>	<u>(3,908)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Principle payments on long-term debt	(22,234)	(20,830)
Net borrowings on line of credit	(19,737)	65,322
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(41,971)</u>	<u>44,492</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	94,010	36,775
CASH AND CASH EQUIVALENTS, beginning of year	<u>228,061</u>	<u>191,286</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 322,071</u>	<u>\$ 228,061</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 36,825</u>	<u>\$ 40,815</u>

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

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2008 and 2007

	2008		2007	
	Program Services	Totals	Program Services	Totals
Advertising	\$ 4,621	\$ 4,621	\$ 4,718	\$ 4,718
Bad debt	-	18,622	-	-
Bank charges	-	346	-	-
Conferences and conventions	18	36	921	418
Contract services	1,588	1,588	1,025	1,842
Depreciation	77,792	81,886	74,071	1,025
Employee benefits	42,115	64,853	44,528	77,970
Equipment rental	-	3,243	-	61,613
Freight and transportation	69,728	69,728	86,767	3,573
Insurance	23,610	26,548	27,328	86,767
Interest expense	35,391	36,974	38,612	30,423
Membership dues	542	542	315	40,644
Office supplies	-	242	-	315
Payments to affiliated agencies	7,644	7,644	6,004	330
Payroll taxes	19,836	26,657	19,348	6,004
Payroll service fees	2,072	2,785	2,238	5,519
Pest control	3,357	3,357	4,075	706
Postage	1,608	2,144	881	-
Printing and publications	251	251	-	294
Professional fees	-	14,997	-	-
Product cost - in-kind	963,352	963,352	482,994	14,229
Product cost	601,689	601,689	523,411	482,994
Repairs and maintenance	43,038	43,038	44,366	523,411
Salaries	262,222	351,397	242,784	44,366
Supplies	30,401	30,401	22,173	322,513
Taxes and licenses	-	385	-	22,173
Telephone	5,363	6,309	4,435	233
Travel	10,801	10,801	11,168	233
Uniform expense	4,968	4,968	3,371	783
Utilities	29,187	32,430	28,493	11,168
Waste disposal	6,382	6,382	6,679	3,371
	\$ 2,247,576	\$ 2,418,216	\$ 1,680,705	31,659
	\$ 159,885	\$ 10,755	\$ 127,169	6,679
			\$ 9,423	\$ 1,817,297

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

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Middle Georgia Community Food Bank, Inc. was founded in 1981 to assist participating agencies in the Middle Georgia area that distribute food to the needy by supplying them donated food and commodities for a nominal storage and distribution fee. The Organization is supported primarily by service fees collected from these participating agencies. The Organization also receives fees for services provided to government agencies, government grants, and fees for participation in government reimbursement programs. The Middle Georgia Community Food Bank, Inc. (Food Bank) is a United Way agency and is supported by public contributions and grants from other not-for-profit organizations.

Advertising expenses

Advertising costs are expensed when incurred.

Basis of Accounting

The financial statements of Middle Georgia Community Food Bank, Inc. have been prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned, and expenses are recorded when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Organization 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.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, cash is defined as demand deposits with banks or other financial institutions. Cash and cash equivalents received with donor-imposed restrictions for long-term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Property and Equipment

Donated property and equipment are recorded as contributions at their estimated fair market values at the date of donation. Assets donated with explicit restrictions regarding their use are reported as increases in restricted net assets. Absent donor stipulations regarding how long the property or equipment must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments. The Organization receives more than 10,000 volunteer hours per year.

Inventory

The Organization purchases food and is reimbursed dollar for dollar up to a specified amount from a third-party reimbursement contract. The Organization also receives donated food from the United States Department of Agriculture. Therefore, inventory has no cost basis and accordingly is not recorded as an asset on the statement of financial position. Donated food is recorded as in-kind contributions and expenses on the statements of activities.

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.

Expense Allocation

Directly identifiable expenses are charged to programs, supporting services, and fundraising activities. Expenses related to more than one function are charged to programs and supporting services on the basis of approximate time spent. Management and general expenses include those expenses that are not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period the promise is made. The Organization uses the allowance method to value promises to give.

Program Service Fees Receivable

Program service fees receivable is stated at net realizable value, which equals total program service fees receivable less an allowance for uncollectible amounts. The Organization uses the specific identification method to determine which accounts are uncollectible. Any accounts that are 90 days past due are considered to be uncollectible if all collection efforts have been exhausted. The Organization's accounts that were considered uncollectible at December 31, 2008 and 2007 totaled \$18,622 and \$0, respectively.

Property and Equipment

All acquisitions of property and equipment with an estimated useful life of more than one year and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life.

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and nature of any donor restrictions. All donor-restricted contributions 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 and reported in the statement of activities as net assets released from restrictions.

Reclassifications

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

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment in use consisted of the following at December 31, 2008 and 2007:

	2008	2007
Building	\$ 565,962	\$ 565,962
Building improvements	765,049	522,937
Land	62,500	62,500
Warehouse equipment	251,668	319,472
Office equipment	35,267	38,037
Vehicles	191,319	172,780
	<u>1,871,765</u>	<u>1,681,688</u>
Accumulated depreciation	<u>(346,497)</u>	<u>(356,228)</u>
Net property and equipment	<u>\$ 1,525,268</u>	<u>\$ 1,325,460</u>

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. PROPERTY AND EQUIPMENT (Continued)

The Organization purchased a new building during 2006 for \$1,393,511, of which \$62,500 was allocated to land and \$765,049 was allocated to improvements. The new building and land is pledged as collateral on the Organization's mortgage note described in NOTE 4. Depreciation expense for property and equipment in use for the years ended December 31, 2008 and 2007, totaled \$81,886 and \$77,970, respectively.

At December 31, 2007, the Organization still owned the land and building at which it was previously located, which is classified as property held for sale in the statement of financial position. Property and equipment classified as held for sale consisted of the following at December 31:

	2008	2007
Building	\$ -	\$ 338,624
Building improvements	-	111,173
Land	-	37,600
	-	487,397
Accumulated depreciation	-	(185,721)
Adjusted basis	-	301,676
Impairment loss	-	(96,928)
Fair value of property held for sale	<u>\$ -</u>	<u>\$ 204,748</u>

The property held for sale was not used during 2007 therefore, no depreciation expense was recorded. The property held for sale was sold on January 30, 2008. The loss from the sale was \$96,928, which is shown as an extraordinary item on the statements of activities. The loss was calculated by taking the sales price less selling costs and adjusted basis in the property sold.

NOTE 3. ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31:

	2008	2007
Accrued benefits	\$ 73,079	\$ 68,615
Interest payable	2,050	1,900
	<u>\$ 75,129</u>	<u>\$ 70,515</u>

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. NOTES PAYABLE

The Organization has a commercial line of credit, renewable annually, of \$300,000 with a national bank. The loan is used to purchase food for distribution, and proceeds are reimbursable under terms of a contract with the Atlanta Community Food Bank. The debt is secured by the Organization's intangible assets. Interest is fixed at the prime rate and payable monthly. The balance on the loan at December 31, 2008 and 2007, was \$180,263 and \$200,000, respectively.

The Organization also has a mortgage with a national financial bank which was used to purchase the new land and building. The mortgage is secured by the real estate owned by the Organization. The original interest rate was fixed at 6.84%. Payments of principle and interest were due each month until January 10, 2009, at which time the Organization has the option of paying the outstanding principle and interest balance or refinancing for another term. The balance on the mortgage at December 31, 2008 and 2007, was \$440,531 and \$462,765, respectively. The current portion of the mortgage at December 31, 2008 and 2007, was \$16,069 and \$22,820, respectively. Interest expense related to debt at December 31, 2008 and 2007, totaled \$36,974 and \$40,644, respectively.

The Organization made a \$210,000 payment and refinanced the mortgage in January 2009. The new interest rate is fixed at 5.75%. Payments of principle and interest are due each month until December 10, 2011, at which time the Organization has the option of paying the outstanding principle and interest balance or refinancing for another term. The future maturities of all long-term borrowings are as follows:

Year Ending December 31,	
2009	\$ 16,069
2010	18,646
2010	<u>405,816</u>
	<u>\$ 440,531</u>

MIDDLE GEORGIA COMMUNITY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. OPERATING LEASES

The Organization leases office equipment under operating lease commitments expiring in 2010. The lease payments do not include sales, use, or property taxes which are included in the monthly invoices. Equipment rental expense at December 31, 2008 and 2007, totaled \$3,243 and \$3,573, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2008, are:

Year ending December 31:

2009	\$ 3,146
2010	<u>2,616</u>
	<u>\$ 5,762</u>

NOTE 6. EMPLOYEE BENEFITS

The Organization provides retirement benefits through the purchase of life insurance policies. The policies have a face value of \$50,000. Full-time employees become eligible to have premiums paid on their behalf after completing three years of service. After five years, the employee is completely vested in the policy. The Executive Director's retirement package consists of a \$250,000 life insurance policy. In addition to retirement, the Organization provides long-term disability and pays 100% of each employee's health premium coverage and 50% of any dependent coverage. Employee benefit expense for the years ended December 31, 2008 and 2007, totaled \$64,853 and \$61,613, respectively

NOTE 7. RESTRICTIONS ON NET ASSETS AND CASH

Temporarily restricted net assets as of December 31, 2008 and 2007, consisted of funds received from various donors that are to be used for the purchase of a new vehicle and new scales. During 2008 the Organization received \$20,000 for the purchase of a new vehicle.

NOTE 8. CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains cash balances in banks located in Macon, Georgia. The Federal Deposit Insurance Corporation insures the balances up to \$250,000 for the year ended December 31, 2008 and \$100,000 for the year ended December 31, 2007. The Organization's uninsured cash balances at December 31, 2008 and 2007, totaled \$56,646 and \$179,181, respectively. The Organization believes it mitigates this risk by depositing cash in major financial institutions.