

THE GLOBAL FOODBANKING NETWORK
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2012 and 2011

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
The Global FoodBanking Network
Chicago, Illinois

We have audited the accompanying statements of financial position of The Global FoodBanking Network (GFN) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of GFN's management. 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. 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 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 financial statement presentation. We believe that our audits provide 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 The Global FoodBanking Network as of June 30, 2012 and 2011, 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.



Crowe Horwath LLP

Chicago, Illinois
August 13, 2012

THE GLOBAL FOODBANKING NETWORK
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 600,657	\$ 345,824
Other receivables	14,054	-
Other assets	<u>14,385</u>	<u>17,145</u>
Total current assets	629,096	362,969
 Equipment, net of accumulated depreciation of \$16,186 and \$12,435, respectively, for 2012 and 2011	 <u>7,519</u>	 <u>7,552</u>
 Total assets	 <u>\$ 636,615</u>	 <u>\$ 370,521</u>
 LIABILITIES		
Accounts payable	\$ 24,871	\$ 64,743
Project grants payable (Note 4)	140,675	54,693
Other accrued liabilities	<u>24,023</u>	<u>16,840</u>
Total current liabilities	189,569	136,276
 NET ASSETS (Note 3)		
Unrestricted	256,937	(44,087)
Temporarily restricted	<u>190,109</u>	<u>278,332</u>
Total net assets	<u>447,046</u>	<u>234,245</u>
 Total liabilities and net assets	 <u>\$ 636,615</u>	 <u>\$ 370,521</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENT OF ACTIVITIES
For the year ended June 30, 2012

	2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue			
Public support			
Individual contributions	\$ 304,210	\$ -	\$ 304,210
Corporate and foundation contributions	1,134,521	759,900	1,894,421
Organizations	63,825	10,000	73,825
Net assets released from restriction	858,123	(858,123)	-
Revenue			
Other revenue	15,960	-	15,960
Total public support and revenue	<u>2,376,639</u>	<u>(88,223)</u>	<u>2,288,416</u>
Expenses			
Program services	1,486,629	-	1,486,629
Supporting services			
General and administrative	314,265	-	314,265
Fund development	274,721	-	274,721
Total supporting services	<u>588,986</u>	<u>-</u>	<u>588,986</u>
Total expenses	<u>2,075,615</u>	<u>-</u>	<u>2,075,615</u>
Increase (decrease) in net assets before in-kind	301,024	(88,223)	212,801
In-kind transactions			
Public support and revenue			
Donated goods and services	1,064,932	-	1,064,932
Total in-kind public support and revenue	<u>1,064,932</u>	<u>-</u>	<u>1,064,932</u>
Expenses			
Program services	453,890	-	453,890
Supporting services			
General and administrative	532,674	-	532,674
Fund development	78,368	-	78,368
Total supporting services	<u>611,042</u>	<u>-</u>	<u>611,042</u>
Total in-kind expenses	<u>1,064,932</u>	<u>-</u>	<u>1,064,932</u>
Increase (decrease) in net assets, in-kind	-	-	-
Increase (decrease) in net assets	301,024	(88,223)	212,801
Net assets, beginning of period	<u>(44,087)</u>	<u>278,332</u>	<u>234,245</u>
Net assets, end of period	<u>\$ 256,937</u>	<u>\$ 190,109</u>	<u>\$ 447,046</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

	2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue			
Public support			
Individual contributions	\$ 231,171	\$ 1,765	\$ 232,936
Corporate and foundation contributions	637,400	545,011	1,182,411
Organizations	114,882	20,000	134,882
Net assets released from restriction	505,228	(505,228)	-
Revenue			
Other revenue	5,053	-	5,053
Total public support and revenue	<u>1,493,734</u>	<u>61,548</u>	<u>1,555,282</u>
Expenses			
Program services	927,174	-	927,174
Supporting services			
General and administrative	385,044	-	385,044
Fund development	288,766	-	288,766
Total supporting services	<u>673,810</u>	<u>-</u>	<u>673,810</u>
Total expenses	<u>1,600,984</u>	<u>-</u>	<u>1,600,984</u>
Increase (decrease) in net assets before in-kind	(107,250)	61,548	(45,702)
In-kind transactions			
Public support and revenue			
Donated goods and services	580,740	-	580,740
Total in-kind public support and revenue	<u>580,740</u>	<u>-</u>	<u>580,740</u>
Expenses			
Program services	262,237	-	262,237
Supporting services			
General and administrative	306,975	-	306,975
Fund development	11,528	-	11,528
Total supporting services	<u>318,503</u>	<u>-</u>	<u>318,503</u>
Total in-kind expenses	<u>580,740</u>	<u>-</u>	<u>580,740</u>
Increase (decrease) in net assets, in-kind	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(107,250)	61,548	(45,702)
Net assets, beginning of period	<u>63,163</u>	<u>216,784</u>	<u>279,947</u>
Net assets, end of period	<u>\$ (44,087)</u>	<u>\$ 278,332</u>	<u>\$ 234,245</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2012

	Program Services	Supporting Services		Total Expenses
		General & Administrative	Fund Development	
Salaries	\$ 502,348	\$ 174,141	\$ 163,710	\$ 840,199
Payroll taxes	37,285	16,008	14,948	68,241
Employee benefits	109,169	33,403	31,586	174,158
Total salaries and related expenses	<u>648,802</u>	<u>223,552</u>	<u>210,244</u>	<u>1,082,598</u>
Professional services	54,171	31,951	23,810	109,932
Telecommunications	10,314	3,801	3,864	17,979
Travel	157,979	38,058	8,252	204,289
Project grants	578,385	-	-	578,385
Supplies	6,290	6,311	10,257	22,858
Postage	1,415	386	1,241	3,042
Equipment	357	1,920	844	3,121
Printing and marketing	8,050	293	4,664	13,007
Staff development	1,685	-	485	2,170
Books, dues, and subscriptions	7,950	-	241	8,191
Insurance	5,992	3,567	2,615	12,174
Miscellaneous	642	381	-	1,023
Fees	2,078	2,333	7,112	11,523
Total expenses before depreciation	<u>1,484,110</u>	<u>312,553</u>	<u>273,629</u>	<u>2,070,292</u>
Depreciation	<u>2,519</u>	<u>1,712</u>	<u>1,092</u>	<u>5,323</u>
Total expenses before in-kind	1,486,629	314,265	274,721	2,075,615
Professional services in-kind	395,359	492,771	30,388	918,518
Occupancy in-kind	58,531	39,903	47,980	146,414
	<u>453,890</u>	<u>532,674</u>	<u>78,368</u>	<u>1,064,932</u>
Total	<u>\$ 1,940,519</u>	<u>\$ 846,939</u>	<u>\$ 353,089</u>	<u>\$ 3,140,547</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2011

	Supporting Services			Total Expenses
	Program Services	General & Administrative	Fund Development	
Salaries	\$ 391,756	\$ 202,902	\$ 157,835	\$ 752,493
Payroll taxes	30,854	16,893	13,027	60,774
Employee benefits	87,422	44,741	29,835	161,998
Total salaries and related expenses	<u>510,032</u>	<u>264,536</u>	<u>200,697</u>	<u>975,265</u>
Professional services	95,023	47,546	41,330	183,899
Telecommunications	20,891	7,494	3,370	31,755
Travel	184,887	47,685	18,185	250,757
Project grants	54,693	-	-	54,693
Supplies	6,543	4,026	6,664	17,233
Postage	1,172	417	1,322	2,911
Equipment	1,527	2,580	588	4,695
Printing and marketing	32,574	858	3,808	37,240
Staff development	2,728	209	-	2,937
Books, dues, and subscriptions	5,991	165	1,566	7,722
Insurance	6,379	4,507	3,465	14,351
Miscellaneous	477	1,432	-	1,909
Fees	1,592	2,283	6,389	10,264
Total expenses before depreciation	<u>924,509</u>	<u>383,738</u>	<u>287,384</u>	<u>1,595,631</u>
Depreciation	<u>2,665</u>	<u>1,306</u>	<u>1,382</u>	<u>5,353</u>
Total expenses before in-kind	927,174	385,044	288,766	1,600,984
Professional services in-kind	218,770	276,722	-	495,492
Occupancy in-kind	43,467	30,253	11,528	85,248
	<u>262,237</u>	<u>306,975</u>	<u>11,528</u>	<u>580,740</u>
Total	<u>\$ 1,189,411</u>	<u>\$ 692,019</u>	<u>\$ 300,294</u>	<u>\$ 2,181,724</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating activities		
Change in net assets	\$ 212,801	\$ (45,702)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	5,323	5,353
Increase in other current assets	(11,294)	(13,592)
Decrease in accounts payable	(39,872)	(6,538)
Increase (decrease) in project grants payable	85,982	(130,307)
Increase in other accrued liabilities	<u>7,183</u>	<u>5,318</u>
Net cash from operating activities	260,123	(185,468)
Investing activities		
Net cash from investing activities - purchase of equipment	<u>(5,290)</u>	<u>(2,359)</u>
Net increase (decrease) in cash and cash equivalents	254,833	(187,827)
Cash and cash equivalents at beginning of period	<u>345,824</u>	<u>533,651</u>
Cash and cash equivalents at end of period	<u>\$ 600,657</u>	<u>\$ 345,824</u>

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Global FoodBanking Network (GFN) is an international not-for-profit organization that was incorporated in Illinois, USA on January 4, 2006. GFN seeks to alleviate global hunger by collaborating to develop food banks in communities where they are needed around the world and by supporting food banks where they exist. GFN is dedicated to creating sustainable solutions, building efficient private and public collaborations, empowering people to develop themselves to participate in and contribute to their communities and the economy, and providing environmentally friendly alternatives to surplus food and grocery product disposal. GFN was founded by four of the world's leading national food bank networks: Feeding America (the food banking network which serves the United States and Puerto Rico), Asociación Mexicana de Bancos de Alimentos (the Mexican food banking network), Food Banks Canada (the Canadian food banking network), and Red Argentina de Bancos de Alimentos (the Argentinian food banking network); and has national food bank network members or independent food bank members in Australia, Chile, Colombia, Guatemala, Hong Kong, Israel, Japan, South Africa, and the United Kingdom. GFN also capitalizes on its close working relationship with FEBA, the European Federation of Food Banks, which supports food banking in 18 of the 27 Member States of the European Union and 3 non-Member States.

GFN's program activities are primarily funded through corporate, foundation, and individual contributions. GFN's ongoing operations are dependent on continued support of corporate, foundation, and individual contributions.

Basis of Presentation: The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. GFN reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon the existence or absence of donor imposed restrictions as follows:

- **Unrestricted Net Assets:** Unrestricted net assets are available to support GFN's operations and are not subject to donor-imposed restrictions.
- **Temporarily Restricted Net Assets:** Temporarily restricted net assets represent contributions received that are intended to be used for a purpose as specified by the donor. Assets are released from temporary restrictions by incurring expenses satisfying the purpose specified by the donor.
- **Permanently Restricted Net Assets:** Permanently restricted net assets represent contributions that are subject to donor-imposed restrictions that are to be maintained permanently by GFN. There were no permanently restricted net assets nor activity as of June 30, 2012 and 2011.

Donated Services: A number of organizations have made in-kind donations or volunteered their services to GFN. Donated goods and services requiring specific expertise have been reflected in the financial statements at their approximate fair value.

Recognition of Revenue and Public Support: Contributions of cash or other assets with donor-imposed use restrictions are reported as revenue of the temporarily restricted net asset class. Restrictions on such cash or other assets are considered to be released in accordance with the use restrictions.

Grant Revenue: Conditional grant revenue is recorded at the time the related funds are expended in accordance with the agreement.

(Continued)

THE GLOBAL FOODBANKING NETWORK
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

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

Cash and Cash Equivalents: Cash and cash equivalents consists of immediately available funds (checking and money market accounts). On October 3, 2008, FDIC deposit insurance was temporarily increased from \$100,000 to \$250,000. This change will remain in effect through December 31, 2013. As of June 30, 2012 and 2011, GFN had approximately \$38,657 and \$0, respectively, in excess of its insurable limit at its financial institution.

Furniture and Equipment: Equipment over \$1,000 is capitalized and stated on the basis of cost at 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.

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 certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: GFN is exempt from federal income tax on its related income pursuant to Sections 501(a) and 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and is a private operating foundation described in Section 4942(j)(3) of the Code. On May 31, 2007, GFN notified the IRS of the organization's intent to terminate private foundation status by operating as a public charity during the 60-month period starting July 1, 2007. On September 27, 2007, GFN received a letter from the IRS acknowledging receipt of GFN's Notice of Intent to terminate private foundation status and informing GFN that its donors could rely on the determination that GFN is not a private foundation until 90 days after the end of that 60-month period. GFN will have to prove that it had met the requirements for public charity status during that period, in which case it will be treated as having been a public charity for all purposes from the first date of that period and will thereafter be treated as a public charity if it continues to meet the requirements for public charity status.

GFN follows guidance with respect to accounting for uncertain tax positions. No provision has been made for income taxes in the accompanying financial statements, as GFN has had no unrelated business income. Management believes GFN has no material unrecognized income tax benefits, including any potential loss of its tax exempt status. Accordingly, no provision for income taxes has been made in the financial statements. There were no income tax related interest or penalties recognized by GFN for the years ended June 30, 2012 and 2011. GFN has not been examined by any tax jurisdiction. GFN is no longer subject to examination for the fiscal years ended June 30, 2009 and prior.

GFN recognizes interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. GFN recognized and accrued no amounts for interest and penalties as of and for the years ended June 30, 2012 and 2011. GFN does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

(Continued)

THE GLOBAL FOODBANKING NETWORK
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2012 and 2011

NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS

All of the temporarily restricted net assets are restricted for food bank projects within specific countries and/or for designated programs to create food banks and networks where they are needed and are likely to be sustainable. Temporarily restricted net assets consisted of the following at June 30:

<u>Program</u>	<u>2012</u>	<u>2011</u>
Backpack Program in Mexico	\$ 80,836	\$ 54,944
Developing Food Banks in Bulgaria	-	8,258
Feeding School Children Programs	-	2,583
Developing Food Banks in India	89,273	212,547
Increase Development Capacity	10,000	-
Raise Awareness in Asia Pacific	<u>10,000</u>	<u>-</u>
	<u>\$ 190,109</u>	<u>\$ 278,332</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2012 and 2011, as follows:

	<u>2012</u>	<u>2011</u>
Program restrictions accomplished:		
Backpack Program in Mexico	84,108	111,895
Developing Food Banks in Bulgaria	8,258	26,867
Feeding School Children Programs	2,583	12,417
Developing Food Banks in India	123,274	179,049
Food Bank Capacity Expansion in Japan	25,000	-
Food Bank Leadership Institute	110,000	105,000
Food Bank Capacity Expansion in Mexico and the UK	499,900	-
Latin American Food Bank Conference	-	50,000
Executive Search	-	20,000
Support Intern Program	<u>5,000</u>	<u>-</u>
	<u>\$ 858,123</u>	<u>\$ 505,228</u>

NOTE 3 - RELATED PARTY TRANSACTIONS

For the years ended June 30, 2012 and 2011, GFN recorded approximately \$350,000 and \$648,000, respectively, in cash and pledge contributions from companies or organizations that have affiliates who are members of GFN's Board of Directors. For the years ended June 30, 2012 and 2011, GFN recorded in-kind contributions for professional services of \$840,203 and \$458,494, respectively, and office rent of \$146,414 and \$85,248, respectively, from companies or organizations that have employees or partners who are members of GFN's Board of Directors. For the years ended June 30, 2012 and 2011, GFN recorded project grants of \$300,785 and \$22,917, respectively, to organizations that have affiliates who were members of GFN's Board of Directors during the fiscal year.

NOTE 4 - PROJECT GRANTS

GFN regularly seeks financial support for its members and for non-member food bank development projects for specific projects/initiatives. Some funds are granted to GFN specifically for these proposed projects/initiatives; these funds are then granted to the Member(s) (or sponsors of the projects) and use of the funds is monitored by GFN to ensure compliance with the programmatic intent. Also, under certain circumstances, GFN may provide a grant to a Member (or sponsor of a project) from its general operating funds for a particular project/initiative. In such cases, similar oversight is provided by GFN to ensure appropriate use of the grant. As of June 30, 2012 and 2011, GFN had \$140,675 and \$54,693, respectively, of project grants payable.

NOTE 5 - SUBSEQUENT EVENTS

During July 2012, GFN filed with the IRS Form 8940, Request for Miscellaneous Determination, Termination of Private Foundation Status under Section 507(b)(1)(B), 60-Month Period Ended June 30, 2012. GFN submitted documents and information which management believes show that GFN met for the relevant 60-month period the requirements for Section 509(a)(1) public charity status by operating as an organization described in Section 170(b)(1)(A)(vi) and having a support percentage of approximately 47%. As of the date of this report, GFN had not received any ruling from the IRS in response to the filing.

Management has performed an analysis of the activities and transactions subsequent to June 30, 2012, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2012. Management has performed their analysis through August 13, 2012, the date the financial statements were available to be issued.