



**Consolidated Financial Statements
and
Independent Auditors' Report
June 30, 2013 and 2012**

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FOOD BANK OF THE ROCKIES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Food Bank of the Rockies, Inc.
Denver, Colorado

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Food Bank of the Rockies, Inc. and Subsidiary (collectively, the "Organization"), which are comprised of the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

To the Board of Directors
Food Bank of the Rockies, Inc.
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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 Food Bank of the Rockies, Inc. and Subsidiary as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance 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 consolidated financial statements as a whole. The schedule of Wyoming revenue and expense activities and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The 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 information is 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 our reports dated September 24, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of those reports 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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September 24, 2013
Denver, Colorado

FOOD BANK OF THE ROCKIES, INC.

Consolidated Statements of Financial Position

	June 30,	
	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 180,236	\$ 1,118,697
Restricted cash	<u>436,074</u>	<u>604,758</u>
Receivables		
Agency support fees, net of allowance of \$15,500 and \$7,500 (2013 and 2012, respectively)	182,222	206,865
Pledges receivable	320,127	-
Contracts receivable	<u>516,658</u>	<u>395,765</u>
Total receivables	1,019,007	602,630
Investments	5,425,927	5,287,322
Purchased and donated food inventory	4,013,146	3,951,472
Commodities inventory	3,298,021	917,941
Prepaid expenses	192,937	206,574
Assets held for sale	<u>527,229</u>	-
Total current assets	15,092,577	12,689,394
Long-term assets		
Property and equipment, net	9,721,854	9,086,039
Life insurance policy	<u>20,718</u>	<u>19,933</u>
Total assets	<u>\$ 24,835,149</u>	<u>\$ 21,795,366</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 236,682	\$ 492,165
Accrued liabilities	506,412	426,618
Deferred revenue	97,820	57,850
Current portion of capital lease	30,163	30,981
Current portion of long-term debt	<u>10,464</u>	-
Total current liabilities	881,541	1,007,614
Long-term liabilities		
Capital lease obligations, net of current portion	24,756	54,919
Long-term debt, net of current portion	<u>40,936</u>	-
Total liabilities	<u>947,233</u>	<u>1,062,533</u>
Net assets		
Unrestricted	15,177,655	15,099,649
Temporarily restricted	7,426,887	4,646,067
Permanently restricted	<u>1,283,374</u>	<u>987,117</u>
Total net assets	<u>23,887,916</u>	<u>20,732,833</u>
Total liabilities and net assets	<u>\$ 24,835,149</u>	<u>\$ 21,795,366</u>

See notes to consolidated financial statements.

FOOD BANK OF THE ROCKIES, INC.

Consolidated Statements of Activities

	For the Years Ended							
	June 30, 2013				June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support								
Agency support fees	\$ 513,984	\$ -	\$ -	\$ 513,984	\$ 645,839	\$ -	\$ -	\$ 645,839
Purchased food	2,597,961	-	-	2,597,961	2,818,082	-	-	2,818,082
Contributions and grants	6,686,559	1,353,390	249,596	8,289,545	6,832,831	793,484	292,587	7,918,902
Government contracts	3,198,270	-	-	3,198,270	2,956,890	-	-	2,956,890
Special events	492,636	-	-	492,636	519,781	-	-	519,781
Promotions	646,342	10,000	-	656,342	718,154	-	-	718,154
Investment return and miscellaneous	189,154	-	46,661	235,815	181,682	-	34,350	216,032
Food contributions	-	49,245,942	-	49,245,942	-	36,611,331	-	36,611,331
Commodities contribution	-	11,178,304	-	11,178,304	-	7,473,367	-	7,473,367
Donated materials and services	68,411	-	-	68,411	162,232	-	-	162,232
Net assets released from restrictions								
Food distributions	57,827,089	(57,827,089)	-	-	43,768,519	(43,768,519)	-	-
Satisfaction of other restrictions	1,179,727	(1,179,727)	-	-	1,193,431	(1,193,431)	-	-
Total revenues, gains, and other support	73,400,133	2,780,820	296,257	76,477,210	59,797,441	(83,768)	326,937	60,040,610
Expenses and losses								
Program services								
Main Branch Food Distribution	27,250,738	-	-	27,250,738	21,449,317	-	-	21,449,317
Nutrition Network	2,390,190	-	-	2,390,190	2,467,524	-	-	2,467,524
Mobile Pantry	6,143,332	-	-	6,143,332	3,526,785	-	-	3,526,785
Grocery Rescue	8,295,654	-	-	8,295,654	6,846,349	-	-	6,846,349
Colorado TEFAP	3,624,677	-	-	3,624,677	4,168,298	-	-	4,168,298
CSFP	2,708,992	-	-	2,708,992	2,834,499	-	-	2,834,499
Colorado SLP	2,319,241	-	-	2,319,241	2,654,747	-	-	2,654,747
Wyoming	12,323,140	-	-	12,323,140	7,100,722	-	-	7,100,722
Western slope	5,634,392	-	-	5,634,392	4,999,133	-	-	4,999,133
Total program services	70,690,356	-	-	70,690,356	56,047,374	-	-	56,047,374
Support services								
Administration and general	828,561	-	-	828,561	730,903	-	-	730,903
Fundraising	1,803,210	-	-	1,803,210	1,753,261	-	-	1,753,261
Total support services	2,631,771	-	-	2,631,771	2,484,164	-	-	2,484,164
Total expenses and losses	73,322,127	-	-	73,322,127	58,531,538	-	-	58,531,538
Change in net assets	78,006	2,780,820	296,257	3,155,083	1,265,903	(83,768)	326,937	1,509,072
Net assets at beginning of year	15,099,649	4,646,067	987,117	20,732,833	13,833,746	4,729,835	660,180	19,223,761
Net assets at end of year	\$ 15,177,655	\$ 7,426,887	\$ 1,283,374	\$ 23,887,916	\$ 15,099,649	\$ 4,646,067	\$ 987,117	\$ 20,732,833

See notes to consolidated financial statements.

FOOD BANK OF THE ROCKIES, INC.

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2013**

	Program Services										Support Services			
	Main Branch													
	Food Distribution	Nutrition Network	Mobile Pantry	Grocery Rescue	Colorado TEFAP	CSFP	Colorado SLP	Wyoming	Western Slope	Administration and General	Fundraising	Total		
Salary and fringes	\$ 1,577,987	\$ 578,592	\$ 125,537	\$ 274,017	\$ 258,806	\$ 458,385	\$ 283,275	\$ 481,169	\$ 357,502	\$ 632,882	\$ 671,218	\$ 5,699,370		
Contributed food distributed	22,481,727	20,721	5,645,340	7,815,549	-	-	-	8,731,654	4,333,872	-	-	49,028,863		
Commodities food distributed	-	-	-	-	3,101,714	2,048,537	1,777,092	1,870,883	-	-	-	8,798,226		
Purchased food distributed	1,799,281	3,007	284,733	-	-	-	-	595,863	571,980	-	-	3,254,864		
Distribution costs	615,409	62,173	32,547	113,097	9,602	21,271	71,054	263,847	166,523	98	38	1,355,659		
Occupancy	254,378	35,724	6,257	8,342	156,073	35,788	74,998	88,808	42,955	14,816	6,474	724,613		
Professional and contract services	127,955	56,589	4,597	9,674	5,907	20,328	7,502	79,308	7,907	95,587	63,046	478,400		
Cost of prepared meals and snacks	-	1,513,140	-	2,056	-	-	-	-	18,665	-	-	1,533,861		
Special events expense	-	-	-	-	-	-	-	-	-	-	-	195,689	195,689	
Direct mail	-	-	-	-	-	-	-	-	-	-	-	745,914	745,914	
Other operating	165,475	35,254	5,853	15,728	31,288	86,985	20,945	129,797	75,527	68,359	113,622	748,833		
Depreciation	<u>228,526</u>	<u>84,990</u>	<u>38,468</u>	<u>57,191</u>	<u>61,287</u>	<u>37,698</u>	<u>84,375</u>	<u>81,811</u>	<u>59,461</u>	<u>16,819</u>	<u>7,209</u>	<u>757,835</u>		
Total	<u>\$ 27,250,738</u>	<u>\$ 2,390,190</u>	<u>\$ 6,143,332</u>	<u>\$ 8,295,654</u>	<u>\$ 3,624,677</u>	<u>\$ 2,708,992</u>	<u>\$ 2,319,241</u>	<u>\$ 12,323,140</u>	<u>\$ 5,634,392</u>	<u>\$ 828,561</u>	<u>\$ 1,803,210</u>	<u>\$ 73,322,127</u>		

See notes to consolidated financial statements.

FOOD BANK OF THE ROCKIES, INC.

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2012**

	Program Services										Support Services			
	Main Branch													
	Food Distribution	Nutrition Network	Mobile Pantry	Grocery Rescue	Colorado TEFAP	CSFP	Colorado SLP	Wyoming	Western Slope	Administration and General	Fundraising			Total
Salary and fringes	\$ 1,149,190	\$ 592,192	\$ 113,634	\$ 263,346	\$ 261,953	\$ 438,542	\$ 270,050	\$ 501,721	\$ 296,221	\$ 530,034	\$ 566,023	\$ 4,982,906		
Contributed food distributed	16,972,821	-	3,059,533	6,401,383	-	-	-	5,022,894	3,819,108	-	-	35,275,739		
Commodities food distributed	-	-	-	-	3,659,646	2,180,518	2,099,580	553,036	-	-	-	8,492,780		
Purchased food distributed	1,943,591	9,697	279,477	-	-	-	344	589,537	606,361	-	-	3,429,007		
Distribution costs	532,854	67,467	27,805	87,408	5,905	18,159	96,981	177,377	156,993	69	53	1,171,071		
Occupancy	216,752	29,073	1,939	7,755	133,376	34,137	78,229	36,909	28,171	14,008	6,088	586,437		
Professional and contract services	159,167	58,571	3,326	8,891	5,492	21,662	8,138	55,706	5,778	99,189	73,521	499,441		
Cost of prepared meals and snacks	-	1,562,863	-	-	-	-	-	-	-	-	-	1,562,863		
Special events expense	-	-	-	-	-	-	-	-	-	-	-	202,458	202,458	
Direct mail	-	-	-	-	-	-	-	-	-	-	-	743,379	743,379	
Other operating	241,901	70,326	7,739	21,301	44,606	106,869	32,978	102,973	51,497	85,531	141,950	907,671		
Depreciation	<u>233,041</u>	<u>77,335</u>	<u>33,332</u>	<u>56,265</u>	<u>57,320</u>	<u>34,612</u>	<u>68,447</u>	<u>60,569</u>	<u>35,004</u>	<u>2,072</u>	<u>19,789</u>	<u>677,786</u>		
Total	<u>\$ 21,449,317</u>	<u>\$ 2,467,524</u>	<u>\$ 3,526,785</u>	<u>\$ 6,846,349</u>	<u>\$ 4,168,298</u>	<u>\$ 2,834,499</u>	<u>\$ 2,654,747</u>	<u>\$ 7,100,722</u>	<u>\$ 4,999,133</u>	<u>\$ 730,903</u>	<u>\$ 1,753,261</u>	<u>\$ 58,531,538</u>		

See notes to consolidated financial statements.

FOOD BANK OF THE ROCKIES, INC.

Consolidated Statements of Cash Flows

	For the Years Ended June 30,	
	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 3,155,083	\$ 1,509,072
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	757,835	677,786
Bad debt expense	8,000	-
Loss (gain) on disposal of assets	3,454	(944)
Change in value of beneficial interest in assets	-	9,380
Gains on investments	(19,120)	(17,455)
Contributed food distributed	57,827,089	43,768,519
Contributed food and commodities	(60,424,246)	(44,084,698)
Endowment contributions	(249,596)	(292,587)
Donated equipment	-	(46,367)
Change in value of life insurance policy	(785)	2,310
Changes in assets and liabilities		
Receivables	(424,377)	551,699
Purchased inventory	155,403	12,311
Prepaid expenses	13,637	9,943
Accounts payable and accrued liabilities	54,985	130,466
Deferred revenues	39,970	(11,050)
Net cash provided by operating activities	<u>897,332</u>	<u>2,218,385</u>
Cash flows from investing activities		
Property and equipment purchases	(2,103,736)	(538,765)
Proceeds from the sale of assets	1,000	1,500
Net purchase of investments	(119,485)	(1,594,867)
Distribution of beneficial interest in assets	-	783,583
Change in restricted cash	168,684	(38,536)
Net cash used in investing activities	<u>(2,053,537)</u>	<u>(1,387,085)</u>
Cash flows from financing activities		
Payments on long-term debt	(871)	-
Payments on capital leases	(30,981)	(302,020)
Endowment contributions	249,596	292,587
Net cash used in financing activities	<u>217,744</u>	<u>(9,433)</u>
Net (decrease) increase in cash and cash equivalents	(938,461)	821,867
Cash and cash equivalents at beginning of year	<u>1,118,697</u>	<u>296,830</u>
Cash and cash equivalents at end of year	<u>\$ 180,236</u>	<u>\$ 1,118,697</u>

Supplemental disclosure of cash flow information:

Cash paid for interest was \$6,998 and \$22,245 for the years ended June 30, 2013 and 2012, respectively.

Supplemental disclosure of non-cash activity:

Two vehicles were purchased during 2013 with loans in the amount of \$52,271.

Equipment purchased during the year ended June 30, 2012 included in accounts payable totaled \$230,674.

See notes to consolidated financial statements.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Food Bank of the Rockies, Inc. ("FBR") is a Colorado non-profit corporation organized to solicit, collect, and distribute food to those in need of assistance through non-profit member agencies.

FBR is a member of Feeding America. Its service area includes Northern Colorado and Wyoming.

FBR contracts with the state of Colorado for administration of five United States Department of Agriculture ("USDA") programs for the city and county of Denver and Northern Colorado called the Emergency Food Assistance Program ("TEFAP"), the Commodities Supplemental Food Program ("CSFP"), the School Lunch Program ("SLP"), the Child & Adult Care Food Program ("CACFP"), and the Summer Food Service Program ("SFSP"). CSFP is for the city and county of Denver only. FBR also contracts with the state of Wyoming for administration of TEFAP and SLP for the state of Wyoming.

Under the SLP contracts, FBR distributes USDA commodities to 191 and 83 schools in Colorado and Wyoming, respectively, for recipients who qualify for free and/or reduced price school lunches.

TEFAP provides for the distribution of nutritious food to low-income residents upon self-declaration of need. FBR distributes TEFAP commodities to 114 member agencies throughout metro Denver and to 43 member agencies throughout Wyoming.

CSFP works to improve the health of low-income, pregnant, and breast-feeding mothers; postpartum mothers up to one year; infants; children to age six; and seniors over 60 years of age by supplementing their diets with nutritious USDA commodity foods. Those eligible must meet income guidelines established by the state of Colorado (which are 130% of the Federal Poverty Income Guidelines for seniors and 185% of the Federal Poverty Income Guidelines for mothers), establish local residency requirements, and be able to provide identification issued by a state or federal agency. FBR serves approximately 8,800 CSFP recipients monthly at nine sites in Metro Denver and at various senior housing locations in Metro Denver.

Both CACFP and SFSP are administered by the programs department with meals for low-income children at their Kids Cafe sites. Kids Cafes serve meals to children at risk of hunger at locations offering recreation, tutoring, and mentoring programs. Also, through CACFP, the After School Snacks Program supplies snacks to sites providing after-school tutoring to low-income students. Kids Menu purchases child-friendly foods and essential items (e.g., diapers) that are made available to all agencies serving children and families. Totes of Hope™ Children is designed to meet the needs of hungry children at times when other resources are not available, such as weekends and school vacations. Children in the Totes of Hope™ program discretely receive a backpack filled with food each Friday to take home for the weekend. Totes of Hope™ Seniors provides a tote filled with nutritious food to over 900 low-income seniors once per month.

Food Bank of the Rockies Endowment Fund ("FBREF") is a Colorado non-profit corporation organized for the sole purpose of holding, operating, and managing an endowment fund.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of FBR and its subsidiary, FBREF (collectively, the "Organization"). All intercompany accounts and transactions have been eliminated in consolidation.

Basis of 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.

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property and equipment.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor, but the Organization is permitted to use or expend part or all of any income derived from those assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio or otherwise encumbered.

Restricted Cash

Restricted cash represents contributions that have been received but have not been expended for their restricted purpose.

Agency Support Fees Receivable

Balances represent agency support fees that have not yet been collected. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on the specific circumstances of the agencies. As of June 30, 2013 and 2012, the Organization reserved an allowance for doubtful accounts of \$15,500 and \$7,500, respectively.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value and those that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All amounts outstanding are expected to be collected within one year. As of June 30, 2013 and 2012, there were \$320,127 and \$0 in pledges receivable outstanding, respectively. The Organization expects that all promises to give were fully collectible; accordingly, there was no allowance for uncollectible pledges receivable.

Contracts Receivable

Balances represent amounts due from the state of Colorado for contracted income. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on the specific circumstances. As of June 30, 2013 and 2012, the Organization expects that all contracts receivable will be fully collectible; accordingly, there is no allowance for contracts receivable.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the consolidated statements of activities.

Certificates of deposit are recorded at amortized cost.

Food Inventory

Donated food inventory is valued at an average of the national wholesale prices as determined by Feeding America. Purchased food is valued at the cost of products purchased as determined by the first-in, first-out method. Donated commodities inventory received from the USDA is valued based on prices provided by the USDA.

Assets Held for Sale

The Organization classifies assets as being held for sale when the following criteria are met: management has committed to a plan to sell the asset; the asset is available for immediate sale in its present condition; an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; the sale of the asset is highly probable and transfer of the asset is expected to qualify for recognition as a completed sale within one year; the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. During the year ended June 30, 2013, the Organization placed a building and the related land up for sale.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment having a unit cost of \$2,500 or more is capitalized at cost, if purchased, and at fair value, if contributed. Depreciation of property and equipment is computed on the straight-line method based upon the estimated useful lives of the assets, which range from 3 to 30 years.

Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Organization looks primarily to the undiscounted future cash flows in its assessment of whether or not long-lived assets have been impaired. As of June 30, 2013 and 2012, no impairment was required to be recognized.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Organization. Amounts of temporarily restricted contributions are subsequently released to unrestricted net assets when expenses have been incurred in satisfaction of those restrictions.

Donated Services

During the years ended June 30, 2013 and 2012, volunteers from the community donated approximately 143,500 and 133,000 hours, respectively, which were valued based on industry standards at approximately \$3,219,000 and \$2,932,000, respectively, to assist the Organization in achieving the goals of its programs; however, no value for these services has been recorded in the accompanying consolidated financial statements, as specialized skills were not required.

Deferred Revenue

Registration fees and other receipts relating to future years are deferred and recognized as revenue in the applicable future period when the related expenses are incurred.

Donated Food and Commodities

The Organization receives donated food and commodities from local area merchants, the USDA, and Feeding America.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Donated Food and Commodities (continued)

During the year ended June 30, 2013, FBR received and distributed approximately 29,100,000 and 29,000,000 pounds, respectively, of donated usable food. During the year ended June 30, 2012, FBR received and distributed approximately 22,000,000 and 21,000,000 pounds, respectively, of donated usable food. As of June 30, 2013 and 2012, donated food inventory consisted of approximately 1,996,000 pounds at an average value of \$1.69 per pound and approximately 1,901,000 pounds at an average value of \$1.66 per pound, respectively. The inventory value is determined by Feeding America.

During the years ended June 30, 2013 and 2012, FBR received approximately 14,000,000 and 10,000,000 pounds of commodities, respectively, and distributed approximately 11,000,000 and 12,100,000 pounds of commodities, respectively.

FBR purchases high-protein foods to supplement contributed food. As of June 30, 2013 and 2012, purchased food inventory was \$543,546 and \$707,383, respectively.

Agency Support Fee Revenue

For the years ended June 30, 2013 and 2012, agencies in Colorado supported FBR with a maximum fee of \$0.05 and \$0.08 per donated pound, respectively, on selected categories of donated products to partially offset the handling and redistribution costs incurred by FBR. Agencies in Wyoming supported FBR with a maximum fee of \$0.18 for both years. Fees during 2013 and 2012 were based on the types of product distributed. The average support fee per donated pound was approximately \$0.018 and \$0.031 for the years ended June 30, 2013 and 2012, respectively, with approximately 22,000,000 and 21,000,000 donated pounds distributed for the years ended June 30, 2013 and 2012, respectively. The Organization distributed approximately 17,600,000 and 11,300,000 pounds at no fee in the years ended June 30, 2013 and 2012, respectively.

Functional Expenses

Expenses incurred directly for a program service are charged to such service. Accordingly, certain costs are allocated among the program and supporting services benefited based on the time expended, space utilized, or by another rational basis.

Income Taxes

FBR and FBREF are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). FBR and FBREF are not private foundations within the meaning of Section 509(a) of the Code.

The Organization applies a more-likely-than-not measurement methodology to reflect the consolidated financial statement impact of certain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2013 and 2012.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest or penalties have been assessed as of June 30, 2013 or 2012. Tax years that remain subject to examination include 2010 through the current year.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through the auditors' report date, which is the date the consolidated financial statements were available to be issued.

Note 2 - Endowment

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with the endowment are classified based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of initial gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 2 - Endowment (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support future activities while seeking the proper balance of preservation of capital. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. Under this policy, as approved by the Board of Directors of FBREF, the endowment assets are invested in a manner that seeks a total annual return approach of the endowment and appropriate capital market measures, such as securities indices, while assuming a moderate level of investment risk. The Organization expects its endowment funds to provide an average rate of return of approximately 7% to 9% over the long term. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on optimal allocation of stocks and bonds, in which investment returns are achieved through bonds to satisfy current income requirements and control volatility and common stock to generate capital and income growth to preserve and enhance the endowment. The Organization targets a diversified asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints. The Board of Directors of FBREF is responsible for selecting the asset mix and managers for the endowment.

The asset allocation target ranges are as follows:

Equities	20% - 40%
Fixed income (including cash reserves)	60% - 80%
Cash reserves	as required

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 2 - Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions from the endowment fund will benefit the Organization and other approved organizations as determined by the Board of Directors of FBREF. For the years ended June 30, 2013 and 2012, distributions available to the Organization were reinvested in the endowment fund.

Endowment Net Assets Composition by Type of Fund as of June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,283,374	\$ 1,283,374
Board-designated endowment funds	<u>455,761</u>	<u>-</u>	<u>-</u>	<u>455,761</u>
Total funds	\$ 455,761	\$ -	\$ 1,283,374	\$ 1,739,135

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 432,975	\$ -	\$ 987,117	\$ 1,420,092
Investment return - net appreciation	22,786	-	45,876	68,662
Change in value of life insurance policy	-	-	785	785
Contributions	-	-	249,596	249,596
Board-designated from unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment assets, end of year	\$ 455,761	\$ -	\$ 1,283,374	\$ 1,739,135

Endowment Net Assets Composition by Type of Fund as of June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 987,117	\$ 987,117
Board-designated endowment funds	<u>432,975</u>	<u>-</u>	<u>-</u>	<u>432,975</u>
Total funds	\$ 432,975	\$ -	\$ 987,117	\$ 1,420,092

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 2 - Endowment (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 175,000	\$ -	\$ 660,180	\$ 835,180
Investment return - net appreciation	7,975	-	36,660	44,635
Change in value of life insurance policy	-	-	(2,310)	(2,310)
Contributions	-	-	292,587	292,587
Board-designated from unrestricted	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
Endowment assets, end of year	<u>\$ 432,975</u>	<u>\$ -</u>	<u>\$ 987,117</u>	<u>\$ 1,420,092</u>

Endowment asset composition was as follows:

	June 30,	
	2013	2012
Investments	\$ 1,717,927	\$ 1,367,322
Life insurance policy	20,718	19,933
Restricted cash	<u>490</u>	<u>32,837</u>
	<u>\$ 1,739,135</u>	<u>\$ 1,420,092</u>

Note 3 - Property and Equipment

The Organization's property and equipment are comprised of the following:

	June 30,	
	2013	2012
Buildings	\$ 4,310,758	\$ 4,180,555
Leasehold improvements	3,341,763	2,501,704
Vehicles	2,453,952	2,315,948
Furniture and equipment	2,027,473	2,166,313
Land	<u>1,238,830</u>	<u>1,219,911</u>
	<u>13,372,776</u>	<u>12,384,431</u>
Less accumulated depreciation	<u>(3,650,922)</u>	<u>(3,298,392)</u>
Total	<u>\$ 9,721,854</u>	<u>\$ 9,086,039</u>

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 4 - Line-of-Credit

The Organization has a \$1,000,000 line-of-credit with a bank, which is collateralized by a building. Interest accrues at the greater of the prime rate or 5% and matures in December 2015. There was no outstanding balance due on the line-of-credit at June 30, 2013 or 2012.

Note 5 - Long-Term Debt

Long-term debt consists of the following:

	June 30,	
	<u>2013</u>	<u>2012</u>
Notes payable to a finance company with no interest. The notes call for monthly payments of \$871, mature in May 2018, and are collateralized by the vehicles financed by the notes payable.	\$ 51,400	\$ -
Less current portion	(10,464)	-
Long-term portion of note payable	<u>\$ 40,936</u>	<u>\$ -</u>

Maturities of long-term debt are as follows:

For the Year Ending June 30,

2014	\$ 10,464
2015	10,464
2016	10,464
2017	10,464
2018	<u>9,544</u>
	<u>\$ 51,400</u>

Note 6 - Capital Leases

The Organization has acquired assets under the provisions of long-term leases. For financial reporting purposes, minimum lease payments relating to the assets have been capitalized in property and equipment. Under these various leases, monthly payments range from \$1,366 to \$1,774. All leases are collateralized by the related assets. The leases expire between April 2014 and July 2015. Amortization of the leased property is included in depreciation and amortization expense.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 6 - Capital Leases (continued)

The assets under capital leases have costs and accumulated amortization as follows:

	June 30,	
	2013	2012
Equipment	\$ 147,684	\$ 147,684
Less accumulated amortization	<u>(94,810)</u>	<u>(65,273)</u>
Capital leased assets, net of accumulated amortization	<u>\$ 52,874</u>	<u>\$ 82,411</u>

Maturities of capital lease obligations are as follows:

Year Ending June 30,

2014	\$ 34,132
2015	16,392
2016	<u>13,660</u>
Total minimum lease payments	64,184
Amount representing interest	<u>(9,265)</u>
Present value of net minimum lease payments	54,919
Less current portion	<u>(30,163)</u>
Long-term capital lease obligation	<u>\$ 24,756</u>

Note 7 - Restricted Net Assets

The temporarily restricted net assets represent the net proceeds of donations that have been restricted by the donors to be used only for the following purposes:

	June 30,	
	2013	2012
Food for distribution	\$ 6,671,303	\$ 4,074,146
Other restrictions	<u>755,584</u>	<u>571,921</u>
	<u>\$ 7,426,887</u>	<u>\$ 4,646,067</u>

For additional information on permanently restricted net assets, refer to Note 2.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 8 - Fair Value Measurements and Investments

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2: Observable prices that are based on inputs not quoted in active markets, but corroborated by market data; or
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measure. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodologies used for assets measured at fair value:

Equities and mutual funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income: Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Financial assets carried at fair value as of June 30, 2013 are classified in the table below in one of the categories described above:

Description	Level 1	Level 2	Level 3	Total
Fixed income	\$ 592,578	\$ -	\$ -	\$ 592,578
Equities	570,498	-	-	570,498
Mutual funds	<u>399,689</u>	<u>-</u>	<u>-</u>	<u>399,689</u>
Total assets at fair value	<u>\$ 1,562,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,562,765</u>

Financial assets carried at fair value as of June 30, 2012 are classified in the table below in one of the categories described above:

Description	Level 1	Level 2	Level 3	Total
Fixed income	\$ 350,180	\$ -	\$ -	\$ 350,180
Equities	447,688	-	-	447,688
Mutual funds	<u>545,287</u>	<u>-</u>	<u>-</u>	<u>545,287</u>
Total assets at fair value	<u>\$ 1,343,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,343,155</u>

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 8 - Fair Value Measurements and Investments (continued)

Investments on the consolidated statements of financial position include cash, money market funds, and certificates of deposit totaling \$3,863,162 and \$3,944,167 at June 30, 2013 and 2012, respectively, that are not subject to fair value classification reporting requirements.

Investment return consists of the following:

	For the Years Ended June 30,	
	2013	2012
Interest and dividends from endowment	\$ 49,542	\$ 27,180
Realized and unrealized gains from endowment	19,120	17,455
Interest from certificates of deposit	<u>13,632</u>	<u>15,218</u>
	<u><u>\$ 82,294</u></u>	<u><u>\$ 59,853</u></u>

Note 9 - Commitments and Contingencies

Operating Leases

The Organization leases a facility under a non-cancelable operating lease that expires May 2016. Rent expense for the years ended June 30, 2013 and 2012 was approximately \$112,000 and \$103,000, respectively.

Future minimum lease payments under these leases are approximately as follows:

Year Ending June 30.

2014	\$ 119,000
2015	124,000
2016	<u>42,000</u>
	<u><u>\$ 285,000</u></u>

Government Contracts

The Organization receives certain reimbursements from contracts with various governmental agencies. The disbursement of funds received under these contracts generally requires compliance with the terms and conditions specified in the contracts and is subject to audit by the contracting agencies. However, management believes that the amount of changes to these contracts that may be disallowed from any such audits would not have a significant impact on the consolidated financial statements; accordingly, no provision has been made in the consolidated financial statements for any liability that may result.

FOOD BANK OF THE ROCKIES, INC.

Notes to Consolidated Financial Statements

Note 9 - Commitments and Contingencies (continued)

Standby Letter-of-Credit

The Organization established a performance letter-of-credit for a maximum amount of \$184,173. The letter-of-credit was issued during the year ended June 30, 2013, with a current expiration during January 2014, and an interest rate of 4.25%. No debt was outstanding as of June 30, 2013 relating to the letter-of-credit.

Note 10 - Related Party Transaction

The line-of-credit discussed in Note 4 is at a financial institution where an executive vice president of the financial institution is a member of the Organization's Board of Directors.

Note 11 - Retirement Plan

During 2011, the Organization established a retirement plan under Code Section 401(k). Prior to 2011, the Organization had a retirement plan under Code Section 403(b). During the year ended June 30, 2012, management dissolved the Code Section 403(b) plan. Under both plans, employees who work at least 1,000 hours per year are eligible to participate, at which time the Organization will contribute 3% of the employee's earnings. The Organization contributed \$102,182 and \$85,582 to the retirement plans in fiscal years 2013 and 2012, respectively.

Note 12 - Direct Mailing

Direct mail produced the following results:

	For the Years Ended, June 30,	
	2013	2012
Direct mail contributions	\$ 3,433,306	\$ 3,670,705
Direct mail expense	(745,914)	(743,379)
Net direct mail contributions	\$ 2,687,392	\$ 2,927,326

SUPPLEMENTAL SCHEDULE

FOOD BANK OF THE ROCKIES, INC.

Schedule of Wyoming Revenue and Expense Activities

	June 30,	
	2013	2012
Revenue		
Agency support fee	\$ 96,855	\$ 150,845
Purchased food	514,203	516,831
Food contributions	8,731,654	5,022,894
Commodities contributions	1,870,883	553,036
Contributions	401,187	585,607
Government contract	303,644	130,000
Other income	28,179	71,801
Net assets released	71,185	45,569
Total revenue	<u>12,017,790</u>	<u>7,076,583</u>
Expenses		
Program expenses		
Salaries and fringes	481,169	501,721
Contributed food distributed	8,731,654	5,022,894
Commodities food distributed	1,870,883	553,036
Purchased food distributed	595,863	589,537
Distribution cost	263,847	177,377
Other expenses	379,724	256,157
Total program expenses	<u>12,323,140</u>	<u>7,100,722</u>
Fundraising and administration expense	<u>193,384</u>	<u>118,853</u>
Total expenses	<u>12,516,524</u>	<u>7,219,575</u>
Excess of expenses over revenue	<u>\$ (498,734)</u>	<u>\$ (142,992)</u>

ACCOMPANYING INFORMATION

**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**

To the Board of Directors
Food Bank of the Rockies, Inc.
Denver, Colorado

We have audited, in accordance with the 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 consolidated financial statements of Food Bank of the Rockies, Inc. and Subsidiary (collectively, the "Organization"), which are comprised of the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 24, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 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 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 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.

To the Board of Directors
Food Bank of the Rockies, Inc.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is intended 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EKS&H LLLP

EKS&H LLLP

September 24, 2013
Denver, Colorado

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors
Food Bank of the Rockies, Inc.
Denver, Colorado

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Food Bank of the Rockies, Inc.'s ("FBR") 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 FBR's major federal programs for the year ended June 30, 2013. FBR'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 FBR'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 non-compliance 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 FBR'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 FBR's compliance.

Opinion on Each Major Federal Award

In our opinion, FBR 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.

To the Board of Directors
Food Bank of the Rockies, Inc.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of FBR 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 FBR'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 FBR'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, non-compliance 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 non-compliance 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 a 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.

PURPOSE OF THIS REPORT

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.

EKS&H LLLP

EKS&H LLLP

September 24, 2013
Denver, Colorado

FOOD BANK OF THE ROCKIES, INC.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Program Control Number	Total Expenditures	Value of Commodities Redistributed
<u>U.S. Department of Agriculture</u>				
Received as a subrecipient from:				
State of Colorado Department of Agriculture				
The Emergency Food Assistance Program				
Administrative costs*	10.568	F0500001	\$ 289,923	\$ -
Food commodities*	10.569		-	3,101,714
Received as a subrecipient from:				
State of Wyoming Department of Family Services				
The Emergency Food Assistance Program				
Administrative costs*	10.568	F0500001	130,000	-
Food commodities*	10.569		-	538,914
Subtotal - TEFAP Cluster			<u>419,923</u>	<u>3,640,628</u>
Received as a subrecipient from:				
State of Colorado Department of Agriculture				
Commodities Supplemental Food Program				
Administrative costs	10.565	F0500001	585,909	-
Food commodities	10.565		-	2,048,537
Subtotal			<u>585,909</u>	<u>2,048,537</u>
Received as a subrecipient from:				
State of Colorado Department of Public Health and Environment				
Child and Adult Care Food Programs*	10.558	CFP06000001	1,059,043	-
Received as a subrecipient from:				
State of Colorado Department of Education				
Summer Food Service Programs for Children	10.559		<u>442,250</u>	<u>-</u>
Total State of Colorado Department of Agriculture			<u>2,087,202</u>	<u>2,048,537</u>
Total			<u>\$ 2,507,125</u>	<u>\$ 5,689,165</u>

* Major program

See accompanying notes to schedule of expenditures of federal awards.

FOOD BANK OF THE ROCKIES, INC.

Notes to Schedule of Expenditures of Federal Awards

(1) Method of Accounting

The accompanying schedule of expenditures of federal awards has been prepared on an accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Subrecipients

Food Bank of the Rockies, Inc. (the "Organization") provided federal awards to subrecipients under the Emergency Food Assistance Program, Federal CFDA Number 10.569, in the amount of \$3,640,628 during the year ended June 30, 2013.

(3) Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. As of June 30, 2013, the Organization had food commodities totaling \$3,298,021 in inventory.

(4) Reconciliation to Consolidated Financial Statements

The Organization receives restricted grants from other sources in addition to its federal awards. The following analysis reconciles expenditures in the accompanying schedule to revenue reflected in the Organization's consolidated financial statements for the year ended June 30, 2013:

Grants and government contract revenue	
Federal grant revenue/expenditures	\$ 2,507,125
Federal contracts revenue	534,545
Non-federal grant revenue	<u>156,600</u>
	<u>\$ 3,198,270</u>

FOOD BANK OF THE ROCKIES, INC.

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued - *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Significant deficiencies identified? Yes None reported
- Non-compliance material to consolidated financial statements noted? Yes No

Federal Awards

Type of auditors' report issued on compliance for major programs - *Unqualified*

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

Name of Program	CFDA#
Child and Adult Care Food Programs	10.568
Summer Food Service Programs for Children	10.569
Emergency Food Assistance Program - Administrative Costs/Food Commodities	10.558

Dollar threshold used to distinguish between type A and B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II - Consolidated Financial Statement Findings

None.

Section III - Current Year Findings and Questioned Costs Relating to Federal Awards

None.

Section IV - Prior Year Findings and Questioned Costs Relating to Federal Awards

None.