



**Consolidated Financial Statements  
and  
Independent Auditors' Report  
June 30, 2015 and 2014**

**EKS&H**  
AUDIT | TAX | CONSULTING

# 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, 2015 and 2014, 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 audit 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.

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 financial position of Food Bank of the Rockies, Inc. and subsidiary as of June 30, 2015 and 2014, 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 audits were 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 audits 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.

To the Board of Directors  
Food Bank of the Rockies, Inc.  
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**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*EKS&H LLLP*

EKS&H LLLP

September 22, 2015  
Denver, Colorado

# FOOD BANK OF THE ROCKIES, INC.

## Consolidated Statements of Financial Position

Assets	June 30,	
	2015	2014
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,271,174	\$ 650,343
Restricted cash	343,695	535,379
Receivables		
Agency support fees, net of allowance of \$15,500	130,803	121,476
Pledges receivable	91,475	20
Contracts receivable	463,329	489,905
Total receivables	685,607	611,401
Investments	3,227,102	3,968,001
Purchased inventory	620,923	872,438
Donated inventory	2,271,150	3,867,553
Commodities inventory	1,282,966	1,536,292
Prepaid expenses	295,702	277,414
Total current assets	11,998,319	12,318,821
<b>Long-term assets</b>		
Property and equipment, net	11,128,168	9,650,549
Pledges receivable, long-term	274,425	-
Endowment assets		
Investments	2,446,825	2,205,931
Restricted cash	2,694	77,466
Life insurance policy	21,170	22,649
Total assets	\$ 25,871,601	\$ 24,275,416
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 781,218	\$ 364,296
Accrued liabilities	557,855	573,372
Deferred revenue	93,700	58,430
Current portion of capital lease	124,798	26,833
Current portion of long-term debt	117,565	10,454
Total current liabilities	1,675,136	1,033,385
<b>Long-term liabilities</b>		
Capital lease obligations, net of current portion	214,079	-
Long-term debt, net of current portion	1,212,926	30,492
Total liabilities	3,102,141	1,063,877
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Unrestricted	16,640,382	15,466,814
Temporarily restricted	4,263,712	5,939,224
Permanently restricted	1,865,366	1,805,501
Total net assets	22,769,460	23,211,539
Total liabilities and net assets	\$ 25,871,601	\$ 24,275,416

See notes to consolidated financial statements.

**FOOD BANK OF THE ROCKIES, INC.**

**Consolidated Statements of Activities**

	For the Years Ended							
	June 30, 2015			June 30, 2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support								
Agency support fees	\$ 776,878	\$ -	\$ -	\$ 776,878	\$ 717,776	\$ -	\$ -	\$ 717,776
Purchased food	2,366,457	-	-	2,366,457	2,138,493	-	-	2,138,493
Contributions and grants	8,376,836	1,374,846	17,262	9,768,944	7,377,484	750,444	377,434	8,505,362
Government contracts	3,477,199	-	-	3,477,199	3,499,959	-	-	3,499,959
Special events	658,146	-	-	658,146	547,388	-	-	547,388
Promotions	576,932	-	-	576,932	555,688	-	-	555,688
Investment return and miscellaneous	231,514	-	42,603	274,117	216,327	-	144,693	361,020
Food contributions	-	61,484,039	-	61,484,039	-	58,620,427	-	58,620,427
Commodities contribution	-	8,307,432	-	8,307,432	-	9,315,242	-	9,315,242
Donated materials and services	83,599	-	-	83,599	43,908	-	-	43,908
Net assets released from restrictions								
Food distributions	71,641,200	(71,641,200)	-	-	69,203,127	(69,203,127)	-	-
Satisfaction of other restrictions	1,200,629	(1,200,629)	-	-	970,649	(970,649)	-	-
Total revenues, gains, and other support	<u>89,389,390</u>	<u>(1,675,512)</u>	<u>59,865</u>	<u>87,773,743</u>	<u>85,270,799</u>	<u>(1,487,663)</u>	<u>522,127</u>	<u>84,305,263</u>
Expenses and losses								
Program services								
Main Branch Food Distribution	27,164,630	-	-	27,164,630	24,823,913	-	-	24,823,913
Nutrition Network	2,766,934	-	-	2,766,934	3,051,613	-	-	3,051,613
Colorado Mobile Pantry	7,573,547	-	-	7,573,547	6,732,748	-	-	6,732,748
Grocery Rescue	18,267,547	-	-	18,267,547	17,736,438	-	-	17,736,438
Colorado TEFAP	4,894,740	-	-	4,894,740	5,562,636	-	-	5,562,636
CSFP	3,119,370	-	-	3,119,370	3,154,287	-	-	3,154,287
Colorado NSLP	-	-	-	-	1,947,768	-	-	1,947,768
Wyoming	14,222,193	-	-	14,222,193	12,792,938	-	-	12,792,938
Western Slope	7,282,019	-	-	7,282,019	7,209,455	-	-	7,209,455
Total program services	<u>85,290,980</u>	<u>-</u>	<u>-</u>	<u>85,290,980</u>	<u>83,011,796</u>	<u>-</u>	<u>-</u>	<u>83,011,796</u>
Support services								
Administration and general	877,208	-	-	877,208	933,639	-	-	933,639
Fundraising	2,092,323	-	-	2,092,323	1,863,105	-	-	1,863,105
Total support services	<u>2,969,531</u>	<u>-</u>	<u>-</u>	<u>2,969,531</u>	<u>2,796,744</u>	<u>-</u>	<u>-</u>	<u>2,796,744</u>
Total expenses and losses	<u>88,260,511</u>	<u>-</u>	<u>-</u>	<u>88,260,511</u>	<u>85,808,540</u>	<u>-</u>	<u>-</u>	<u>85,808,540</u>
Change in net assets from operations	1,128,879	(1,675,512)	59,865	(486,768)	(537,741)	(1,487,663)	522,127	(1,503,277)
Non-operating activity								
Gain on sale of facility	44,689	-	-	44,689	826,900	-	-	826,900
Change in net assets	1,173,568	(1,675,512)	59,865	(442,079)	289,159	(1,487,663)	522,127	(676,377)
Net assets at beginning of year	<u>15,466,814</u>	<u>5,939,224</u>	<u>1,805,501</u>	<u>23,211,539</u>	<u>15,177,655</u>	<u>7,426,887</u>	<u>1,283,374</u>	<u>23,887,916</u>
Net assets at end of year	<u>\$ 16,640,382</u>	<u>\$ 4,263,712</u>	<u>\$ 1,865,366</u>	<u>\$ 22,769,460</u>	<u>\$ 15,466,814</u>	<u>\$ 5,939,224</u>	<u>\$ 1,805,501</u>	<u>\$ 23,211,539</u>

See notes to consolidated financial statements.

**FOOD BANK OF THE ROCKIES, INC.**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2015**

	Program Services							Support Services		Total	
	Main Branch Food Distribution	Nutrition Network	Colorado Mobile Pantry	Grocery Rescue	Colorado TEFAP	CSFP	Wyoming	Western Slope	Administration and General		Fundraising
Salary and fringes	\$ 1,743,401	\$ 565,470	\$ 157,212	\$ 404,574	\$ 367,408	\$ 512,145	\$ 623,264	\$ 431,089	\$ 679,688	\$ 786,607	\$ 6,270,858
Contributed food distributed	22,276,827	135,744	7,082,186	17,585,881	-	-	10,085,030	5,914,775	-	-	63,080,443
Commodities food distributed	-	-	-	-	4,226,543	2,391,033	1,943,181	-	-	-	8,560,757
Purchased food distributed	1,176,329	-	155,098	-	-	100	570,572	486,972	400	-	2,389,471
Distribution costs	898,167	39,190	67,946	143,645	5,844	37,764	454,864	192,785	954	189	1,841,348
Occupancy	286,269	43,304	7,217	12,028	164,836	66,161	135,463	62,021	20,176	12,292	809,767
Professional and contract services	309,177	67,656	6,746	14,816	11,979	30,748	45,253	16,753	79,247	89,393	671,768
Cost of prepared meals and snacks	-	1,773,187	-	-	-	-	150,266	-	-	-	1,923,453
Special events expense	-	-	-	-	-	-	-	-	-	213,510	213,510
Direct mail	-	-	-	-	-	-	-	-	-	833,133	833,133
Other operating	219,418	37,732	7,822	26,749	33,519	56,389	97,819	65,083	94,763	155,651	794,945
Depreciation	255,042	104,651	89,320	79,854	84,611	25,030	116,481	112,541	1,980	1,548	871,058
<b>Total</b>	<b>\$ 27,164,630</b>	<b>\$ 2,766,934</b>	<b>\$ 7,573,547</b>	<b>\$ 18,267,547</b>	<b>\$ 4,894,740</b>	<b>\$ 3,119,370</b>	<b>\$ 14,222,193</b>	<b>\$ 7,282,019</b>	<b>\$ 877,208</b>	<b>\$ 2,092,323</b>	<b>\$ 88,260,511</b>

See notes to consolidated financial statements.

**FOOD BANK OF THE ROCKIES, INC.**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2014**

	Program Services								Support Services		Total	
	Main Branch Food Distribution	Nutrition Network	Colorado Mobile Pantry	Grocery Rescue	Colorado TEFAP	CSFP	Colorado NSLP	Wyoming	Western Slope	Administration and General		Fundraising
Salary and fringes	\$ 1,574,501	\$ 597,141	\$ 171,329	\$ 356,801	\$ 314,757	\$ 460,795	\$ 173,672	\$ 560,586	\$ 397,247	\$ 715,892	\$ 696,731	\$ 6,019,452
Contributed food distributed	20,015,851	212,386	6,295,543	17,163,740	-	-	-	8,582,652	5,855,986	-	-	58,126,158
Commodities food distributed	-	-	-	-	4,964,910	2,354,047	1,483,752	2,274,260	-	-	-	11,076,969
Purchased food distributed	1,326,332	-	148,740	-	3,957	6,509	-	448,207	491,328	-	-	2,425,073
Distribution costs	877,893	60,202	42,293	117,335	5,700	38,196	80,144	434,926	244,626	581	276	1,902,172
Occupancy	263,980	43,429	7,495	12,051	178,374	38,424	96,186	146,770	49,963	19,091	12,409	868,172
Professional and contract services	264,804	55,809	6,712	12,410	6,412	29,805	5,555	55,200	10,969	74,311	63,691	585,678
Cost of prepared meals and snacks	-	1,939,552	-	-	-	-	-	81,974	-	-	-	2,021,526
Special events expense	-	-	-	-	-	-	-	-	-	-	209,339	209,339
Direct mail	-	-	-	-	-	-	-	-	-	-	723,524	723,524
Other operating	290,833	54,008	8,726	26,492	28,146	184,329	22,939	107,158	52,644	103,393	150,815	1,029,483
Depreciation	209,719	89,086	51,910	47,609	60,380	42,182	85,520	101,205	106,692	20,371	6,320	820,994
<b>Total</b>	<b>\$ 24,823,913</b>	<b>\$ 3,051,613</b>	<b>\$ 6,732,748</b>	<b>\$ 17,736,438</b>	<b>\$ 5,562,636</b>	<b>\$ 3,154,287</b>	<b>\$ 1,947,768</b>	<b>\$ 12,792,938</b>	<b>\$ 7,209,455</b>	<b>\$ 933,639</b>	<b>\$ 1,863,105</b>	<b>\$ 85,808,540</b>

See notes to consolidated financial statements.

# FOOD BANK OF THE ROCKIES, INC.

## Consolidated Statements of Cash Flows

	For the Years Ended	
	June 30,	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (442,079)	\$ (676,377)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	871,058	820,994
(Gain) loss on disposal of assets	5,636	(838,400)
Gains on investments	(57,771)	(131,357)
Contributed food distributed	71,641,200	69,203,127
Contributed food and commodities	(69,791,471)	(67,935,669)
Endowment contributions	(17,262)	(377,434)
Change in value of life insurance policy	1,479	(1,931)
Changes in assets and liabilities		
Receivables	(348,631)	407,606
Purchased inventory	251,515	(232,574)
Prepaid expenses	(18,288)	(84,477)
Accounts payable and accrued liabilities	401,405	194,574
Deferred revenue	35,270	(39,390)
Net cash provided by operating activities	<u>2,532,061</u>	<u>308,692</u>
Cash flows from investing activities		
Property and equipment purchases	(1,928,582)	(830,373)
Proceeds from the sale of assets	-	1,446,313
Net sale (purchase) of investments	557,776	(616,648)
Change in restricted cash	266,456	(176,771)
Net cash used in investing activities	<u>(1,104,350)</u>	<u>(177,479)</u>
Cash flows from financing activities		
Payments on long-term debt	(10,455)	(10,454)
Proceeds from long-term debt	1,300,000	-
Payments on capital leases	(113,687)	(28,086)
Endowment contributions	17,262	377,434
Net cash provided by financing activities	<u>1,193,120</u>	<u>338,894</u>
Net increase in cash and cash equivalents	2,620,831	470,107
Cash and cash equivalents at beginning of year	<u>650,343</u>	<u>180,236</u>
Cash and cash equivalents at end of year	<u>\$ 3,271,174</u>	<u>\$ 650,343</u>

Supplemental disclosure of cash flow information:

Cash paid for interest was \$21,796 and \$4,572 for the years ended June 30, 2015 and 2014, respectively.

Supplemental disclosure of non-cash activity:

During 2015, the Organization acquired \$425,731 of property and equipment through capital leases.

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 30 counties in Northern Colorado and the entire state of Wyoming.

FBR contracted with the state of Colorado during fiscal year 2015 for administration of four United States Department of Agriculture ("USDA") programs for Northern Colorado: The Emergency Food Assistance Program ("TEFAP"), the Commodity Supplemental Food Program ("CSFP"), the Child and Adult Care Food Program ("CACFP"), and the Summer Food Service Program ("SFSP"). FBR also contracts with the state of Wyoming for administration of TEFAP, SFSP, and the National School Lunch Program ("NSLP").

Under the NSLP contract, FBR distributed USDA commodities to 94 schools in Wyoming 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 111 Eligible Recipient Agencies ("ERAs") throughout Northern Colorado and to 36 ERAs in Wyoming.

CSFP works to improve the health of low-income 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 is 130% of the Federal Poverty Income Guidelines), establish local residency requirements, and be able to provide identification issued by a state or federal agency. FBR is allocated to serve up to 10,360 CSFP recipients monthly at 141 ERA sites throughout the 30-county service area.

Both CACFP and SFSP are administered by the Programs Department with meals for low-income children at their 117 Kids Cafe sites. Kids Cafe programs 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. Although not a federal program, FBR's 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 discreetly receive a backpack filled with food each Friday to take home for the weekend. Additionally, Totes of Hope™ Seniors provides a tote filled with nutritious food to over 1,000 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 net assets are those currently available at the discretion of the Organization's Board of Directors (the "Board") for use in the Organization's operations and those resources invested in property and equipment.

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

Permanently restricted net assets 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, 2015 and 2014, the Organization reserved an allowance for doubtful accounts of \$15,500.

# 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. As of June 30, 2015 and 2014, there were \$365,900 and \$20 in pledges receivable outstanding, respectively. The Organization expects that all promises to give are fully collectible; accordingly, there was no allowance for uncollectible pledges receivable. Payments of \$91,475 will be paid to the Organization during each of the fiscal years ending June 30, 2016 through 2019. No discount has been recorded related to the pledge receivable, as the amount was determined to be insignificant.

#### Contracts Receivable

Balances represent amounts due from the state of Colorado for contracted services. 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, 2015 and 2014, 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.

#### Property and Equipment

Property and equipment with unit costs of \$2,500 or more are 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.

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

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

#### 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, 2015 and 2014, 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, 2015 and 2014, volunteers from the community donated approximately 135,100 and 131,900 hours, respectively, which were valued based on industry standards at approximately \$3,470,000 and \$3,311,000, 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.

During the year ended June 30, 2015, FBR received and distributed approximately 35,800,000 and 37,100,000 pounds, respectively, of donated usable food. During the year ended June 30, 2014, FBR received and distributed approximately 34,100,000 and 33,800,000 pounds, respectively, of donated usable food. As of June 30, 2015 and 2014, donated food inventory consisted of approximately 1,336,000 pounds at an average value of \$1.70 per pound and approximately 2,249,000 pounds at an average value of \$1.72 per pound, respectively. The inventory value is determined by Feeding America.

During the years ended June 30, 2015 and 2014, FBR received approximately 11,400,000 and 11,300,000 pounds of commodities, respectively, and distributed approximately 11,600,000 and 13,500,000 pounds of commodities, respectively.

# 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)

FBR purchases high-protein foods to supplement contributed food. As of June 30, 2015 and 2014, purchased food inventory was \$620,923 and \$872,438, respectively.

#### Agency Support Fee Revenue

For the years ended June 30, 2015 and 2014, agencies in Colorado supported FBR with a maximum fee of \$0.10 and \$0.05, respectively, per donated pound on selected categories of donated products to partially offset the handling and redistribution costs incurred by FBR. For the years ended June 30, 2015 and 2014, agencies in Wyoming supported FBR with a maximum fee of \$0.19 and \$0.18, respectively. Fees during 2015 and 2014 were based on the types of product distributed. The average support fee per donated pound was approximately \$0.022 for the years ended June 30, 2015 and 2014, with approximately 37,100,000 and 33,800,000 donated pounds distributed for the years ended June 30, 2015 and 2014, respectively. The Organization distributed approximately 24,200,000 and 20,400,000 pounds at no fee in the years ended June 30, 2015 and 2014, 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

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The entities within the Organization 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, 2015 and 2014.

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, 2015 or 2014.

#### 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 and 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.

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

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

#### Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation.

#### Subsequent Events

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

### **Note 2 - Endowment**

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors of FBREF 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 FBREF 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.

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

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### Note 2 - Endowment (continued)

#### Return Objectives and Risk Parameters

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 10% 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	40% - 60%
Fixed income (including cash reserves)	40% - 60%
Cash reserves	As required

#### 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, 2015 and 2014, distributions available to the Organization were reinvested in the endowment fund.

#### Endowment Net Assets Composition by Type of Fund as of June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,865,366	\$ 1,865,366
Board-designated endowment funds	<u>605,323</u>	<u>-</u>	<u>-</u>	<u>605,323</u>
Total funds	<u>\$ 605,323</u>	<u>\$ -</u>	<u>\$ 1,865,366</u>	<u>\$ 2,470,689</u>

**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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 500,545	\$ -	\$ 1,805,501	\$ 2,306,046
Investment return - net appreciation	13,689	-	44,082	57,771
Change in value of life insurance policy	-	-	(1,479)	(1,479)
Contributions	<u>91,089</u>	<u>-</u>	<u>17,262</u>	<u>108,351</u>
Endowment assets, end of year	<u>\$ 605,323</u>	<u>\$ -</u>	<u>\$ 1,865,366</u>	<u>\$ 2,470,689</u>

Endowment Net Assets Composition by Type of Fund as of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,805,501	\$ 1,805,501
Board-designated endowment funds	<u>500,545</u>	<u>-</u>	<u>-</u>	<u>500,545</u>
Total funds	<u>\$ 500,545</u>	<u>\$ -</u>	<u>\$ 1,805,501</u>	<u>\$ 2,306,046</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 455,761	\$ -	\$ 1,283,374	\$ 1,739,135
Investment return - net appreciation	44,784	-	142,762	187,546
Change in value of life insurance policy	-	-	1,931	1,931
Contributions	<u>-</u>	<u>-</u>	<u>377,434</u>	<u>377,434</u>
Endowment assets, end of year	<u>\$ 500,545</u>	<u>\$ -</u>	<u>\$ 1,805,501</u>	<u>\$ 2,306,046</u>

Endowment asset composition was as follows:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Investments	\$ 2,446,825	\$ 2,205,931
Restricted cash	2,694	77,466
Life insurance policy	<u>21,170</u>	<u>22,649</u>
	<u>\$ 2,470,689</u>	<u>\$ 2,306,046</u>

**FOOD BANK OF THE ROCKIES, INC.**

**Notes to Consolidated Financial Statements**

**Note 3 - Property and Equipment**

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

	June 30.	
	2015	2014
Buildings	\$ 4,319,128	\$ 4,319,127
Leasehold improvements	3,468,281	3,463,012
Vehicles	3,167,517	2,927,823
Furniture and equipment	2,535,705	2,171,172
Construction in progress	1,648,121	-
Land	1,238,830	1,238,830
	16,377,582	14,119,964
Less accumulated depreciation	(5,249,414)	(4,469,415)
Total	\$ 11,128,168	\$ 9,650,549

**Note 4 - Line-of-Credit**

The Organization has a \$1,000,000 line-of-credit with a bank, which is collateralized by the Denver headquarters building. Interest accrues at the greater of the prime rate or 4.25% (4.25% at June 30, 2015) and matures in June 2018. There was no outstanding balance due on the line-of-credit at June 30, 2015 or 2014.

**Note 5 - Long-Term Debt**

Long-term debt consists of the following:

	June 30.	
	2015	2014
Note payable to a bank with interest of 4%. The note calls for monthly payments of \$13,203, matures in June 2025, and is collateralized by a deed of trust on property owned by the Organization. The note agreement also subjects the Organization to certain financial covenants.	\$ 1,300,000	\$ -
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.	30,491	40,946
	1,330,491	40,946
Less current portion	(117,565)	(10,454)
Long-term portion of notes payable	\$ 1,212,926	\$ 30,492

**FOOD BANK OF THE ROCKIES, INC.**

**Notes to Consolidated Financial Statements**

**Note 5 - Long-Term Debt (continued)**

Maturities of long-term debt are as follows:

For the Year Ending June 30,

2016	\$ 117,565
2017	122,578
2018	126,340
2019	121,581
Thereafter	<u>842,427</u>
	<u>\$ 1,330,491</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 those various leases, monthly payments range from \$1,165 to \$3,226. All leases are collateralized by the related assets. The leases expire between September 2017 and July 2020. Amortization of the leased property is included in depreciation and amortization expense.

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

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Equipment	\$ 425,731	\$ 71,146
Less accumulated amortization	<u>(32,395)</u>	<u>(59,288)</u>
Capital leased assets, net of accumulated amortization	<u>\$ 393,336</u>	<u>\$ 11,858</u>

Maturities of the capital lease obligations are as follows:

Year Ending June 30,

2016	\$ 133,508
2017	134,673
2018	58,880
2019	13,980
Thereafter	<u>15,145</u>
Total minimum lease payments	356,186
Amount representing interest	<u>(17,309)</u>
Present value of net minimum lease payments	338,877
Less current portion	<u>(124,798)</u>
Long-term capital lease obligations	<u>\$ 214,079</u>

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### 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:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Food for distribution	\$ 3,554,116	\$ 5,403,845
Other restrictions	<u>709,596</u>	<u>535,379</u>
	<u>\$ 4,263,712</u>	<u>\$ 5,939,224</u>

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

### 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 measurement. 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.

*Corporate and municipal bonds:* Valued based on yields currently available on comparable securities of the issuer or other issuers with similar credit ratings.

**FOOD BANK OF THE ROCKIES, INC.**

**Notes to Consolidated Financial Statements**

**Note 8 - Fair Value Measurements and Investments (continued)**

Financial assets carried at fair value as of June 30, 2015 are classified in the table below in one of the categories described above:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 852,380	\$ -	\$ 852,380
Municipal bonds	-	397,992	-	397,992
Fixed income mutual funds	-	-	-	-
Equities	839,196	-	-	839,196
Equity mutual funds	<u>226,936</u>	<u>-</u>	<u>-</u>	<u>226,936</u>
Total assets at fair value	<u>\$ 1,066,132</u>	<u>\$ 1,250,372</u>	<u>\$ -</u>	<u>\$ 2,316,504</u>

Financial assets carried at fair value as of June 30, 2014 are classified in the table below in one of the categories described above:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 708,619	\$ -	\$ 708,619
Municipal bonds	-	208,829	-	208,829
Fixed income mutual funds	182,270	-	-	182,270
Equities	799,310	-	-	799,310
Equity mutual funds	<u>255,361</u>	<u>-</u>	<u>-</u>	<u>255,361</u>
Total assets at fair value	<u>\$ 1,236,941</u>	<u>\$ 917,448</u>	<u>\$ -</u>	<u>\$ 2,154,389</u>

Investments on the consolidated statements of financial position include cash, money market funds, and certificates of deposit totaling \$3,357,423 and \$4,019,543 at June 30, 2015 and 2014, respectively, that are not subject to fair value classification reporting requirements.

Investment return consists of the following:

	<u>For the Years Ended</u>	
	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 71,584	\$ 56,189
Realized and unrealized (losses) gains	(13,813)	131,357
Interest from certificates of deposit	<u>8,099</u>	<u>10,206</u>
	<u>\$ 65,870</u>	<u>\$ 197,752</u>

# FOOD BANK OF THE ROCKIES, INC.

## Notes to Consolidated Financial Statements

### **Note 9 - Commitments and Contingencies**

#### Operating Lease

The Organization leases a facility under a non-cancelable operating lease that expires May 2016. Rent expense for the years ended June 30, 2015 and 2014 was approximately \$124,000 and \$119,000, respectively. Future minimum lease payments under this lease are approximately \$42,000 during the year ending June 30, 2016.

#### 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.

#### Construction Commitments

As of June 30, 2015, construction in progress was \$1,648,121, which is included in the consolidated statement of financial position. The Organization projects that the remodel will cost approximately \$2.7 million.

### **Note 10 - Related Party Transactions**

The line-of-credit discussed in Note 4 and the note payable discussed in Note 5 are at a financial institution where an executive vice president of the financial institution is a member of the Board.

During the year ended June 30, 2015, the Organization entered into a contract with a general contractor in the amount of \$1,113,062 in relationship to a building remodel. The owner of the general contractor was a member of the Organization's Board of Directors when the contract was approved during fiscal year ended June 30, 2015.

In both instances noted above, the related Board members recused themselves from the Board vote that approved each transaction.

### **Note 11 - Retirement Plan**

During 2011, the Organization established a retirement plan under Code Section 401(k). Under the retirement plan, 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 \$132,934 and \$109,696 to the retirement plan in fiscal years 2015 and 2014, respectively.

**FOOD BANK OF THE ROCKIES, INC.**

**Notes to Consolidated Financial Statements**

**Note 12 - Direct Mailing**

Direct mail produced the following results:

	For the Years Ended June 30,	
	<u>2015</u>	<u>2014</u>
Direct mail contributions	\$ 3,919,100	\$ 3,522,063
Direct mail expense	<u>(833,133)</u>	<u>(723,524)</u>
Net direct mail contributions	<u>\$ 3,085,967</u>	<u>\$ 2,798,539</u>

**SUPPLEMENTARY INFORMATION**

**FOOD BANK OF THE ROCKIES, INC.**

**Schedule of Wyoming Revenue and Expense Activities**

	June 30,	
	2015	2014
Revenue		
Agency support fee	\$ 154,575	\$ 156,421
Purchased food	601,090	432,058
Food contributions	10,085,029	8,582,652
Commodities contributions	1,943,182	2,274,260
Contributions	466,215	679,116
Government contract	380,476	395,929
Other income	87,289	60,746
Net assets released	84,590	74,533
Total revenue	13,802,446	12,655,715
Expenses		
Program expenses		
Salaries and fringes	623,263	560,586
Contributed food distributed	10,085,029	8,582,652
Commodities food distributed	1,943,182	2,274,260
Purchased food distributed	570,533	448,207
Distribution cost	454,864	434,926
Other expenses	545,322	492,307
Total program expenses	14,222,193	12,792,938
Fundraising and administration expense	367,840	342,724
Total expenses	14,590,033	13,135,662
Excess of expenses over revenue	\$ (787,587)	\$ (479,947)

**ACCOMPANYING INFORMATION**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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. (the "Organization"), which are comprised of the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 22, 2015.

**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 consolidated 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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as item 2015-01.

## **AUDITEE'S RESPONSE TO FINDINGS**

The Organization's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on it.

## **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 22, 2015  
Denver, Colorado

**INDEPENDENT AUDITORS' 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 (the "Organization") 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 the Organization's major federal programs for the year ended June 30, 2015. The Organization'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 the Organization'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 the Organization'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 the Organization's compliance.

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

### Opinion on Each Major Federal Award

In our opinion, the Organization 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, 2015.

### Other Matters

The results of our auditing procedures disclosed instances of non-compliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-01. Our opinion on each major program is not modified with respect to these matters.

The Organization's response to the non-compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance; accordingly, we express no opinion on the response.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Organization 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 the Organization'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 the Organization'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.

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

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 22, 2015  
Denver, Colorado

**FOOD BANK OF THE ROCKIES, INC.**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Control Number</u>	<u>Total Expenditures</u>	<u>Value of Commodities Redistributed</u>
<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	\$ 646,704	\$ -
Food commodities*	10.569		-	4,226,543
Received as a subrecipient from:				
State of Wyoming Department of Family Services				
The Emergency Food Assistance Program				
Administrative costs*	10.568	F0500001	150,004	-
Food commodities*	10.569		-	692,834
Received as a subrecipient from:				
State of Colorado Department of Agriculture				
Commodities Supplemental Food Program				
Administrative costs*	10.565	F0500001	563,698	-
Food commodities*	10.565		-	2,391,033
Subtotal - Food Distribution Cluster			<u>1,360,406</u>	<u>7,310,410</u>
Received as a subrecipient from:				
State of Colorado Department of Public Health and Environment				
Child and Adult Care Food Programs				
	10.558	CFP06000001	1,509,840	-
Received as a subrecipient from:				
State of Colorado Department of Education				
Summer Food Service Programs for Children*				
	10.559		<u>447,268</u>	-
Total State of Colorado Department of Agriculture			<u>1,957,108</u>	-
Total			<u>\$ 3,317,514</u>	<u>\$ 7,310,410</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 \$4,919,377 during the year ended June 30, 2015.

(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, 2015, the Organization had food commodities totaling \$1,282,966 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, 2015:

Government contract revenue	
Federal grant revenue/expenditures	\$ 3,317,514
Federal contracts revenue	<u>159,685</u>
	<u>\$ 3,477,199</u>

**FOOD BANK OF THE ROCKIES, INC.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

**Section I - Summary of Auditors' Results**

*Consolidated Financial Statements*

Type of auditors' report issued - *Unmodified*

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 - *Unmodified*

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#
Commodities Supplemental Food Program	10.565
Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569
Summer Food Service Programs for Children	10.559

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

Auditee qualified as low-risk auditee?  Yes  No

(Continued on the following page)

**FOOD BANK OF THE ROCKIES, INC.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

(Continued from the previous page)

**Section II - Consolidated Financial Statement Findings**

None.

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

**Finding 2015-01**

**Federal Program:** Commodities Supplemental Food Program

**CFDA Number:** 10.565

**Federal Agency:** Department of Agriculture

**Federal Award Number:** F0500001

**Federal Award Year:** 2015

**Compliance Requirement:** Activities allowed or unallowed, allowable costs

**Criteria:**

The OMB Circular A-133 *Compliance Supplement* states that a recipient agency must use its administrative funds for activities for the administration of the programs. Such activities include, but are not limited to, transporting and storing USDA foods within the state or within the recipient agency's service area, determining the eligibility of program applicants, publishing the times and locations of food distribution, and issuing USDA foods to eligible persons. This includes nutrition education, program outreach, monitoring, and review of program operations.

**Condition:**

The Organization determined that CSFP bulk inventory was incorrectly distributed to other programs within the Organization. This was due to a former staff member within the Organization reporting incorrect information. This resulted in discrepancies in the Organization's reports and resulting quarterly filings for reimbursement.

**Questioned Costs:**

Total questioned costs are \$125,761, based on an internal audit performed to verify caseload actually distributed compared to caseload previously reported.

**Context:**

The condition noted above was identified by the Organization during an internal audit conducted after an identified reduction in caseload numbers.

(Continued on the following page)

**FOOD BANK OF THE ROCKIES, INC.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

(Continued from the previous page)

**Finding 2015-01 (continued)**

**Effect:**

The Organization submitted a request for reimbursement based on inflated caseload numbers, resulting in overpayment.

**Recommendation:**

The Organization recommended, and we concur, that procedures are strengthened to ensure that inventory controls are properly in place and being followed and that an adequate level of detailed review is performed.

**View of Responsible Officials:**

The Organization agrees with the finding and is implementing the following procedures:

- Each USDA Commodity Representative (three personnel) has been assigned and has ownership accountability for data input on their own separate workbooks. Each workbook includes complete information for cases distributed at each site, verifying CERES Invoice Numbers and other relevant data. Each entry must be accompanied by source documents for verification and tracking purposes.
- The three separate workbooks are linked to a "Master" workbook to capture rollup data. This rollup data supplies the pertinent information for monthly reporting to the state and is the basis of the quarterly Reimbursement Claim to CDHS. The Master workbook is monitored by and is the responsibility of the USDA Commodity Coordinator under the direct oversight and accountability of the USDA Commodity Division Manager.
- The Chief Programs Officer will review, approve and authorize release, in writing, of the prepared monthly reports and the quarterly Reimbursement Claim prior to submissions to CDHS.
- The Organization's drivers have been mandated to not load, transport, or distribute any food products unless accompanied by appropriate supporting documents (i.e., CERES posted invoices and a complete manifest).
- All Organization warehouse and staff personnel have been directed that USDA product transfers to the Organization's warehouse as a donation must not occur unless accompanied by CDHS permission documents and counter-signed by the Chief Programs Officer. A copy of such documentation is to be retained by the receiving warehouse personnel.

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**FOOD BANK OF THE ROCKIES, INC.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

(Continued from the previous page)

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

None.