

**FOOD FOR THE POOR, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

# FOOD FOR THE POOR, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Audit Committee

**Food for the Poor, Inc.**

Coconut Creek, Florida

We have audited the accompanying statement of financial position of Food for the Poor, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2010 financial statements and in our report dated March 30, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food for the Poor, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of Food for the Poor, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Marcum LLP*

Fort Lauderdale, FL  
March 30, 2012

# FOOD FOR THE POOR, INC.

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2010)

	2011	2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash (Note 2)	\$ 7,928,348	\$ 9,681,931
Investments	85,030	239,722
Promises to give, net (Note 3)	1,209,316	1,552,887
Mortgage notes receivable (Note 4)	155,675	216,752
Goods pending distribution	1,204,568	11,046,688
Prepaid expenses	182,290	175,704
Other assets (Note 6)	46,548	49,058
<b>Total Current Assets</b>	<u>10,811,775</u>	<u>22,962,742</u>
<b>Noncurrent Assets</b>		
Property, building and equipment, net (Note 5)	<u>16,334,174</u>	<u>16,639,500</u>
<b>Total Assets</b>	<u>\$ 27,145,949</u>	<u>\$ 39,602,242</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 5,193,393	\$ 4,221,359
Current portion of mortgage payable (Note 8)	<u>724,092</u>	<u>724,092</u>
<b>Total Current Liabilities</b>	5,917,485	4,945,451
<b>Noncurrent Liabilities</b>		
Mortgage payable, net of current portion (Note 8)	<u>2,353,287</u>	<u>3,077,376</u>
<b>Total Liabilities</b>	<u>8,270,772</u>	<u>8,022,827</u>
<b>Net Assets</b>		
Unrestricted:		
Designated for special projects (Note 9)	3,800,785	7,716,049
Undesignated	<u>13,763,098</u>	<u>22,282,319</u>
Total unrestricted	17,563,883	29,998,368
Temporarily restricted	<u>1,311,294</u>	<u>1,581,047</u>
<b>Total Net Assets</b>	<u>18,875,177</u>	<u>31,579,415</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 27,145,949</u>	<u>\$ 39,602,242</u>

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

# FOOD FOR THE POOR, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

	Unrestricted	Temporarily Restricted	Totals	
			2011	2010
<b>Support and Revenue</b>				
Contributions:				
Cash	\$ 97,819,990	\$ 91,100	\$ 97,911,090	\$ 111,554,532
Donated goods (Note 2)	838,195,584	--	838,195,584	932,479,276
Promises to give	1,373,030	895,639	2,268,669	3,293,866
Investment earnings	(40,132)	--	(40,132)	64,568
Other income	126,000	399	126,399	106,341
Net assets released from restrictions	<u>1,256,891</u>	<u>(1,256,891)</u>	<u>--</u>	<u>--</u>
<b>Total Support and Revenue</b>	<u>938,731,363</u>	<u>(269,753)</u>	<u>938,461,610</u>	<u>1,047,498,583</u>
<b>Expenses</b>				
Program services:				
Educational programs	6,020,868	--	6,020,868	5,864,968
Goods and aid supplied	<u>909,448,541</u>	<u>--</u>	<u>909,448,541</u>	<u>1,011,836,213</u>
Total program services	<u>915,469,409</u>	<u>--</u>	<u>915,469,409</u>	<u>1,017,701,181</u>
Supporting services:				
Fund raising	28,047,577	--	28,047,577	25,928,071
Management and general	<u>7,648,862</u>	<u>--</u>	<u>7,648,862</u>	<u>7,585,171</u>
Total supporting services	<u>35,696,439</u>	<u>--</u>	<u>35,696,439</u>	<u>33,513,242</u>
<b>Total Expenses</b>	<u>951,165,848</u>	<u>--</u>	<u>951,165,848</u>	<u>1,051,214,423</u>
<b>Change in Net Assets</b>	(12,434,485)	(269,753)	(12,704,238)	(3,715,840)
<b>Net Assets - Beginning - restated (Note 15)</b>	<u>29,998,368</u>	<u>1,581,047</u>	<u>31,579,415</u>	<u>35,295,255</u>
<b>Net Assets - Ending</b>	<u>\$ 17,563,883</u>	<u>\$ 1,311,294</u>	<u>\$ 18,875,177</u>	<u>\$ 31,579,415</u>

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

**FOOD FOR THE POOR, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)**

	Program Services			Supporting Services			Totals	
	Educational Programs	Goods and Aid Supplied	Total	Fund Raising Expenses	Management and General Expenses	Total	2011	2010
Food, medical and other commodities	\$ --	\$ 860,650,381	\$ 860,650,381	\$ --	\$ --	\$ --	\$ 860,650,381	\$ 958,600,852
Grants and other assistance	--	26,187,790	26,187,790	--	--	--	26,187,790	27,704,237
Salaries and related expenses	4,414,665	3,612,193	8,026,858	8,586,384	4,925,995	13,512,379	21,539,237	20,459,703
Freight	--	18,164,105	18,164,105	--	--	--	18,164,105	21,271,991
Printed materials and publicity	103,156	37,562	140,718	12,927,129	27,552	12,954,681	13,095,399	11,983,028
Postage	29,284	34,234	63,518	5,250,542	20,261	5,270,803	5,334,321	5,268,651
Travel	1,281,489	282,595	1,564,084	547,910	92,075	639,985	2,204,069	1,924,660
Professional services	4,283	48,672	52,955	209,812	309,868	519,680	572,635	511,234
Depreciation	16,669	116,684	133,353	--	478,111	478,111	611,464	590,314
Other office expenses	41,408	46,878	88,286	51,274	592,268	643,542	731,828	695,317
Repairs and maintenance	13,645	87,093	100,738	63,092	122,396	185,488	286,226	296,234
Courier and miscellaneous freight	51,890	41,957	93,847	66,658	8,242	74,900	168,747	176,799
Office supplies	23,237	17,863	41,100	138,802	132,665	271,467	312,567	304,529
Data processing	11,110	10,102	21,212	119,168	124,549	243,717	264,929	218,515
Insurance	--	--	--	2,130	167,906	170,036	170,036	158,880
Telephone	18,995	33,175	52,170	46,048	65,081	111,129	163,299	164,185
Occupancy	7,451	52,155	59,606	26,077	38,495	64,572	124,178	119,935
Interest	3,586	25,103	28,689	12,551	48,624	61,175	89,864	84,727
<b>Total Expenses Before Uncollectible Pledges</b>	<b>6,020,868</b>	<b>909,448,541</b>	<b>915,469,409</b>	<b>28,047,577</b>	<b>7,154,088</b>	<b>35,201,665</b>	<b>950,671,074</b>	<b>1,050,533,790</b>
Uncollectible pledges	--	--	--	--	494,774	494,774	494,774	680,633
<b>Total Expenses</b>	<b>\$ 6,020,868</b>	<b>\$ 909,448,541</b>	<b>\$ 915,469,409</b>	<b>\$ 28,047,577</b>	<b>\$ 7,648,862</b>	<b>\$ 35,696,439</b>	<b>\$ 951,165,848</b>	<b>\$ 1,051,214,423</b>

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

# FOOD FOR THE POOR, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (12,704,238)	\$ (3,715,840)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	611,464	590,314
Loss on disposal of assets	92,721	--
Provision for losses on promises to give	494,774	680,633
Donated investments included in contributions	(822,157)	(997,248)
Realized and unrealized (gain) loss on investments	(4,973)	11,838
Changes in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(151,203)	(568,217)
Mortgage notes receivable	61,077	(38,539)
Goods pending distribution	9,842,120	7,530,117
Prepaid expenses	(6,586)	94,830
Other assets	2,510	1,118
Increase (decrease) in:		
Accounts payable and accrued liabilities	972,034	(2,070,400)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(1,612,457)</u>	<u>1,518,606</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment	(398,859)	(429,285)
Proceeds from sale of investments	981,822	813,711
<b>Net Cash Provided by Investing Activities</b>	<u>582,963</u>	<u>384,426</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on mortgage payable	(724,089)	(724,092)
<b>Net Cash Used by Financing Activities</b>	<u>(724,089)</u>	<u>(724,092)</u>
<b>Net Increase (Decrease) in Cash</b>	(1,753,583)	1,178,940
<b>Cash - Beginning</b>	<u>9,681,931</u>	<u>8,502,991</u>
<b>Cash - Ending</b>	<u>\$ 7,928,348</u>	<u>\$ 9,681,931</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 89,864</u>	<u>\$ 84,727</u>

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



# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *NATURE OF ACTIVITIES*

##### *Food for the Poor, Inc.*

Food for the Poor, Inc. (the Organization) is a not-for-profit corporation engaged in the collection and distribution of money, food, clothing, medicine and other goods to improve the health, economic and social conditions of indigent poor throughout the world. Activities are concentrated in the Caribbean and Latin America.

##### *Food for the Poor of Canada, Inc.*

Food for the Poor of Canada, Inc. (FFP - Canada) is a not-for-profit organization incorporated under the laws of Canada. Its purpose is to help those less fortunate in the Caribbean and Latin America by providing food, shelter and other basic needs. FFP-Canada is affiliated to the Organization by common control because certain directors and executives of the Organization are also directors of FFP-Canada. Consolidated statements have not been prepared since the economic interest that is provided to FFP-Canada is not deemed material to the results of the Organization. In 2011, the Organization provided a grant of \$62,280 to support the operations of FFP- Canada.

##### *Food for the Poor Foundation, Inc.*

Food for the Poor Foundation, Inc. (the Foundation), is a not-for-profit corporation engaged in the collection of endowment contributions which are raised for the ultimate benefit of the indigent poor throughout the world. The Organization has a controlling and economic interest in the Foundation. Consolidated statements have not been prepared as there was minimal activity in the Foundation during 2011. As of December 31, 2011, the Foundation had net assets of approximately \$57,800.

#### *BASIS OF ACCOUNTING*

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

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. The Organization had \$1,283,134 of temporarily restricted net assets as of December 31, 2011. The Organization had no permanently restricted net assets as of December 31, 2011.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *BASIS OF PRESENTATION (CONTINUED)*

The Organization primarily classified program services into the following categories:

#### *Goods and Aid Supplied Program*

The Organization distributes the majority of its contributions directly to programs that help the poor.

#### *Educational Programs*

The Organization, as part of its mission, also educates the general public about the specific conditions of the poor located in the assisted regions.

#### *ALLOCATION OF JOINT COSTS*

The Organization follows the accounting standards for accounting for costs of activities of not-for-profit organizations that include fundraising. It establishes financial accounting standards for the accounting for costs of joint activities to be charged appropriately to the program, supporting services and to fundraising.

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

#### *INVESTMENTS*

The Organization's investments consist of donated stocks and are reported at fair value based on quoted market prices. The investment goal of the Organization is to convert all donations of investments into cash equivalents as soon as possible to minimize the risk of loss. Investment earnings include dividends, interest, realized and unrealized gains and losses. Purchases and sales are accounted for on the trade-date basis.

#### *DONATED LIFE INSURANCE POLICY*

The Organization was gifted ownership of a life insurance policy. At December 31, 2011, the face value of the policy was \$229,026, and had a cash surrender value of \$4,490.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *GOODS PENDING DISTRIBUTION*

The Organization's goods that are pending distribution consist of both donated and purchased goods. Donated goods are valued at their estimated fair value at the date of donation and the purchased goods are stated at cost at the time of purchase. At December 31, 2011, the Organization had \$1,204,568 of goods pending distribution.

#### *PROPERTY AND EQUIPMENT*

Acquisitions of property and equipment in excess of \$1,500 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Land is reported at cost. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized currently. Other repairs and maintenance are charged to expense as incurred.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose.

#### *CONTRIBUTIONS*

The Organization accounts for contributions in accordance with generally accepted accounting principles. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the donor intent.

Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PROMISES TO GIVE*

Contributions are recognized at fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets.

The Organization uses the allowance method to determine the estimated unconditional promises receivable that are doubtful of collection. The allowance is based on prior years' experience and management's analysis of specific promises made. The Organization also discounts to present value the estimated future cash flows using an appropriate market rate of interest for its promises to give greater than one year. Therefore, promises to give are recorded at their net realizable value.

#### *GIFTS-IN-KIND*

Gifts-in-kind (GIK) received through private donations are recorded and valued as revenue at their estimated fair value based upon the Organization's estimate of the wholesale values that would be received for selling the goods in their principal market.

Non-pharmaceutical GIK contributions received are valued at their estimated wholesale value as provided by the donor or, in the absence of the donor's valuation, using wholesale values estimated by the Organization using published industry information.

During 2011, the Organization integrated newly-acquired costing data, supplied by a recognized and published pharmaceutical resource, with their accounting software that enables pharmaceutical GIK contributions to be valued at their estimated wholesale acquisition cost (WAC) on a drug-by-drug basis. Prior to this integration, pharmaceutical contributions were valued at their estimated wholesale value using a discounted percentage on an overall basis. Pharmaceutical GIK contributions acquired from non-US donors for products legally permissible to be sold outside the United States are valued based upon the wholesale market price in the countries representing the principal exit markets for those products.

GIK expenses are recorded when the goods are shipped for program use.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *ADVERTISING*

Advertising costs are expensed as incurred and were \$505,124 for the year ended December 31, 2011 and are included with printed materials and publicity in the statement of functional expenses.

#### *USE OF ESTIMATES*

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the statements of financial condition and activities. The most significant of these estimates relates to the allocation of joint costs and the allowance for uncollectible promises to give. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

#### *INCOME TAXES*

The Organization is a not-for-profit organization and a public charity, as described in Section 501(c)(3) and 509(a) of the Internal Revenue Code, and exempt from Federal income taxes, except that unrelated business income is taxable. The Organization had no unrelated business income tax during the year ended December 31, 2011.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for the years prior to 2008.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *COMPARATIVE DATA*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

### NOTE 2 – CONCENTRATIONS OF RISK

Financial instruments, which potentially subject the Organization to concentrations of risk, consist principally of cash and support from major contributors.

#### *CASH*

As of December 31, 2011, the Organization had cash balances of \$4,521,749 in excess of federally insured limits. The Organization maintains its cash with high quality financial institutions which the Organization believes limits its risks.

#### *SUPPORT FROM MAJOR CONTRIBUTORS*

The Organization received approximately 72% of total support and revenue from five donors during 2011. These contributions were in the form of donated goods.

### NOTE 3 – PROMISES TO GIVE

At December 31, 2011, unconditional promises to give consist of the following:

Receivable in less than one year	\$ 881,915
Receivable in one to five years	899,425
Receivable in more than five years	<u>186,354</u>
Total promises to give	1,967,694
Less: discount to present value	8,378
Less: allowance for uncollectible promises to give	<u>750,000</u>
<b>Net Promises to Give</b>	<b><u>\$ 1,209,316</u></b>

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 3 – PROMISES TO GIVE (CONTINUED)

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of .39%.

### NOTE 4 – MORTGAGE NOTES RECEIVABLE

The Organization was gifted ownership of mortgage notes receivable. At December 31, 2011, the balance of the notes receivable totaled \$155,675 with various maturity dates through September 2013.

During a prior year, one of the mortgages entered into foreclosure for non-payment. However, prior to the foreclosure sale, the mortgagor filed for bankruptcy thus staying the sale until further disposition by the court. In an agreement with the mortgagor, the Organization has delayed the foreclosure sale dependent upon the timely receipt of monthly payments. This agreement remained in effect for 2011.

### NOTE 5 – PROPERTY, BUILDING AND EQUIPMENT

Property, building and equipment consist of the following:

		Estimated Useful Lives
Land	\$ 6,140,388	--
Land improvements	625,977	20 years
Building	9,869,350	40 years
Furniture and fixtures	687,383	7 years
Equipment	2,608,209	5-10 years
Vehicles	273,820	5 years
	<u>20,205,127</u>	
Less: accumulated depreciation	<u>3,870,953</u>	
<b>Total Property, Building and Equipment, Net</b>	<u>\$ 16,334,174</u>	

Depreciation expense for the year ended December 31, 2011 was \$611,464.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 6 – OTHER ASSETS

Other assets consist of loans to employees, deposits and miscellaneous current receivables. At December 31, 2011, these other assets totaled \$46,548.

### NOTE 7 – GIFT ANNUITIES

The Organization entered into several gift annuity agreements, which provided for unrestricted cash of \$98,088 at December 31, 2011 and called for the Organization to make fixed annual payments to the donors in future years. The Organization entered into agreements with two top rated insurance companies whereby the insurance companies would assume the annuity payment liability. The liability represents the present value of the future payouts using an average discount rate of 2.3%. The Organization pays the insurance company the present value of the annuities.

The Organization remains contingently liable for the future payments on the gift annuities in the event that the insurance company defaults on the payments. As of December 31, 2011, the Organization was contingently liable for reinsured gift annuities totaling approximately \$6,818,636.

### NOTE 8 – LONG-TERM DEBT

#### *LINE OF CREDIT*

The Organization has a revolving line of credit of \$5,000,000 with a bank for the issuance of commercial letters of credit and direct advances for short-term working capital needs. Interest is charged at one-month LIBOR plus 1.50% (for an effective rate of 1.78% at December 31, 2011) and is payable monthly. Of the \$5 million note amount, \$3 million is available at all times, however during the months of September through November, the additional \$2 million is available. Any principal borrowings over \$3,000,000 are due and payable by November 30. Any outstanding principal and accrued interest is due and payable in full by June 10, 2012, (the Maturity Date). There were no direct or contingent liabilities on the line of credit as of December 31, 2011. The line of credit is secured by substantially all assets of the Organization, except for the corporate headquarters and warehouse.



# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 8 – LONG-TERM DEBT (CONTINUED)

#### *MORTGAGE NOTE*

The Organization has a mortgage note payable with a bank with fixed monthly principal payments of \$60,341 plus interest at one month LIBOR plus 1.47% (effective rate of 1.75% at December 31, 2011). The mortgage is secured by the corporate headquarters and warehouse in Coconut Creek, Florida and matures in 2016. The maturities schedule of all long-term debt is as follows:

For the Year Ending December 31,	Amount
2012	\$ 724,092
2013	724,092
2014	724,092
2015	724,092
2016	<u>181,011</u>
<b>Total</b>	<b><u>\$ 3,077,379</u></b>

### NOTE 9 – DESIGNATED FOR SPECIAL PROJECTS

To help fulfill its mission, Food For The Poor establishes projects throughout the year. These non-contractual programs are budgeted and are funded over the course of the year, however, funding for some of these projects may extend beyond the year-end. The balance to be apportioned based on these project budgets as of December 31, 2011 was \$3,800,785 and will be categorized as Goods and Aids Supplied in the financial statements.

### NOTE 10 – RELATED PARTIES AND OTHER ORGANIZATIONS

#### *ASSOCIATED CHARITIES*

The Organization is associated with three charities in Jamaica, Haiti and Guyana, which serve as distribution centers. The Organization has no ownership or voting interest in these charities. In 2011, the Organization made distributions of \$180,821,081 to these associated charities.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 10 – RELATED PARTIES AND OTHER ORGANIZATIONS (CONTINUED)

#### *RELATED CHARITIES*

The Organization distributes goods through various charities in which some board members hold executive positions. In 2011, the Organization made distributions of \$4,961,354 through these related charities.

#### *DISTRIBUTIONS*

Included in the distributions made to associated charities and related charities is \$185,782,435 for program services of which \$16,422,470 was cash and \$169,359,965 was goods.

### NOTE 11 - CONTINGENCIES

#### *GRANTS CONTINGENCY*

Amounts received or receivable from grantor agencies are subject to additional audit or review and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. The amount, if any, of expenditures which may be disallowed by the grantor would not have a material adverse effect on the financial position of the Organization.

### NOTE 12 – RETIREMENT PLAN

The 403(b)(7) ERISA Title 1 Plan covers all employees. Participants may elect to contribute from 2% to 100% of their wages, as limited by current federal tax law. Additionally, the Organization matches 50% of participating employees' contributions up to the first 6% of their salary deferral. During the year ended December 31, 2011 the Organization contributed \$298,477 to this plan. The assets of the 403(b)(7) Plan are the property of the Plan's participants and their beneficiaries; therefore, the assets of this plan are not included in the accompanying financial statements.

### NOTE 13 – ALLOCATION OF JOINT COSTS

For 2011, the Organization had joint costs of \$11,340,944 of which \$6,256,189 was allocated to educational and program activities, \$4,112,521 was allocated to fundraising activities and \$972,234 was allocated to administrative activities.

# FOOD FOR THE POOR, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

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### NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2012 (the date that the financial statements were available to be issued) and has determined that no disclosure or adjustment was needed to the financial statements.

### NOTE 15 – RESTATEMENT OF NET ASSETS

To properly present long-term promises to give as temporarily restricted net assets rather than unrestricted net assets, the following reclassification was made to beginning net assets. This reclassification had no impact on total net assets at December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Beginning Net Assets, as Previously Reported	\$ 31,551,255	\$ 28,160
Reclassification Adjustment	<u>(1,552,887)</u>	<u>1,552,887</u>
<b>Beginning Net Assets, Restated</b>	<u>\$ 29,998,368</u>	<u>\$ 1,581,047</u>