



**FOOD FOR THE POOR, INC.**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2013

# 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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Food for the Poor, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Food for the Poor, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

We have previously audited Food for the Poor, Inc.'s December 31, 2012 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2014 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, 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* in considering the Organization's internal control over financial reporting and compliance.

*Mayer Hoffman McCann P.C.*

Boca Raton, Florida  
March 27, 2014

**FOOD FOR THE POOR, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2013  
(With Comparative Totals as of December 31, 2012)

	<b>2013</b>	<b>2012</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 12,655,909	\$ 10,287,706
Promises to give, net	741,033	1,094,229
Other receivable	-	129,000
Goods pending distribution	564,123	3,101,068
Prepaid expenses	697,572	386,274
Other assets	279,870	292,528
TOTAL CURRENT ASSETS	14,938,507	15,290,805
 <b>PROPERTY, BUILDING AND EQUIPMENT, at cost, less accumulated depreciation</b>		
	15,344,318	15,744,919
TOTAL ASSETS	\$ 30,282,825	\$ 31,035,724
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,713,050	\$ 6,466,638
Current portion of mortgage payable	724,092	724,092
TOTAL CURRENT LIABILITIES	5,437,142	7,190,730
 <b>LONG-TERM DEBT, less current portion above</b>		
	905,109	1,629,198
TOTAL LIABILITIES	6,342,251	8,819,928
 <b>NET ASSETS</b>		
Unrestricted:		
Designated for special projects	4,551,474	3,907,536
Undesignated	18,636,094	17,187,979
Total unrestricted	23,187,568	21,095,515
Temporarily restricted	753,006	1,120,281
TOTAL NET ASSETS	23,940,574	22,215,796
TOTAL LIABILITIES AND NET ASSETS	\$ 30,282,825	\$ 31,035,724

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**

**STATEMENT OF ACTIVITIES**

Year Ended December 31, 2013  
(With Comparative Totals for the Year Ended December 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
<b>SUPPORT AND REVENUE</b>				
Contributions:				
Cash	\$ 112,461,731	\$ 70,000	\$ 112,531,731	\$ 106,646,494
Donated goods	916,006,638	-	916,006,638	791,180,405
Promises to give	211,864	1,285,025	1,496,889	2,569,653
Investment earnings	(2,446)	-	(2,446)	32,916
Other income	119,803	-	119,803	104,966
Net assets released from restrictions	1,722,300	(1,722,300)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,030,519,890</u>	<u>(367,275)</u>	<u>1,030,152,615</u>	<u>900,534,434</u>
<b>EXPENSES</b>				
Program services:				
Educational programs	6,265,339	-	6,265,339	5,851,887
Goods and aid supplied	984,844,197	-	984,844,197	853,615,818
<b>Total program services</b>	<u>991,109,536</u>	<u>-</u>	<u>991,109,536</u>	<u>859,467,705</u>
Supporting services:				
Fundraising	30,013,899	-	30,013,899	29,162,483
Management and general	7,304,402	-	7,304,402	7,883,160
<b>Total supporting services</b>	<u>37,318,301</u>	<u>-</u>	<u>37,318,301</u>	<u>37,045,643</u>
<b>TOTAL EXPENSES</b>	<u>1,028,427,837</u>	<u>-</u>	<u>1,028,427,837</u>	<u>896,513,348</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,092,053</u>	<u>(367,275)</u>	<u>1,724,778</u>	<u>4,021,086</u>
<b>NET ASSETS - Beginning</b>	<u>21,095,515</u>	<u>1,120,281</u>	<u>22,215,796</u>	<u>18,194,710</u>
<b>NET ASSETS - Ending</b>	<u>\$ 23,187,568</u>	<u>\$ 753,006</u>	<u>\$ 23,940,574</u>	<u>\$ 22,215,796</u>

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2013  
(With Comparative Totals for the Year Ended December 31, 2012)

	Program Services			Supporting Services			Totals	
	Educational Programs	Goods and Aid Supplied	Total	Fundraising Expenses	Management and General Expenses	Total	2013	2012
Food, medical and other commodities	\$ -	\$ 933,348,912	\$ 933,348,912	\$ -	\$ -	\$ -	\$ 933,348,912	\$ 801,536,207
Grants and other assistance	-	27,112,958	27,112,958	-	-	-	27,112,958	27,902,841
Salaries and related expenses	4,471,170	4,088,695	8,559,865	9,471,486	4,963,284	14,434,770	22,994,635	22,138,697
Freight	-	19,292,799	19,292,799	-	-	-	19,292,799	19,594,059
Printed materials and publicity	110,899	23,935	134,834	12,076,260	21,961	12,098,221	12,233,055	12,745,274
Postage	29,797	34,733	64,530	6,737,319	16,428	6,753,747	6,818,277	6,300,887
Travel	1,457,112	288,446	1,745,558	636,154	102,275	738,429	2,483,987	2,273,967
Professional services	9,895	197,553	207,448	552,703	250,205	802,908	1,010,356	567,462
Depreciation	16,689	116,826	133,515	58,413	348,122	406,535	540,050	597,793
Other office expenses	49,853	60,778	110,631	67,824	682,571	750,395	861,026	724,696
Repairs and maintenance	15,869	102,013	117,882	72,091	114,769	186,860	304,742	268,461
Courier and miscellaneous freight	51,149	45,699	96,848	58,371	7,041	65,412	162,260	166,980
Office supplies	12,564	9,835	22,399	103,181	117,532	220,713	243,112	291,214
Data processing	11,815	20,809	32,624	92,118	202,029	294,147	326,771	261,186
Insurance	510	-	510	948	191,760	192,708	193,218	181,232
Telephone	18,704	35,013	53,717	54,435	60,728	115,163	168,880	162,819
Occupancy	7,741	54,190	61,931	27,095	39,997	67,092	129,023	122,078
Interest	1,572	11,003	12,575	5,501	49,474	54,975	67,550	73,950
<b>Total expenses before uncollectible pledges</b>	<b>6,265,339</b>	<b>984,844,197</b>	<b>991,109,536</b>	<b>30,013,899</b>	<b>7,168,176</b>	<b>37,182,075</b>	<b>1,028,291,611</b>	<b>895,909,803</b>
<b>Uncollectible pledges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,226</b>	<b>136,226</b>	<b>136,226</b>	<b>603,545</b>
<b>Total expenses</b>	<b>\$ 6,265,339</b>	<b>\$ 984,844,197</b>	<b>\$ 991,109,536</b>	<b>\$ 30,013,899</b>	<b>\$ 7,304,402</b>	<b>\$ 37,318,301</b>	<b>\$ 1,028,427,837</b>	<b>\$ 896,513,348</b>

See Notes to Financial Statements

**FOOD FOR THE POOR, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2013  
(With Comparative Totals for the Year Ended December 31, 2012)

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,724,778	\$ 4,021,086
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	540,050	597,793
Donated property included in goods and aid supplied	-	31,945
Gain on disposal of fixed assets	(32,151)	-
Provision for losses on promises to give	136,226	603,545
Decrease (increase) in operating assets:		
Promises to give	216,970	(488,458)
Other receivable	129,000	(129,000)
Goods pending distribution	2,536,945	(1,896,500)
Prepaid expenses	(311,298)	(203,984)
Other assets	12,658	(5,275)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(1,753,588)	592,778
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,199,590</b>	<b>3,123,930</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(107,298)	(40,483)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(107,298)</b>	<b>(40,483)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on mortgage payable	(724,089)	(724,089)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(724,089)</b>	<b>(724,089)</b>
NET INCREASE IN CASH	2,368,203	2,359,358
CASH, BEGINNING OF YEAR	10,287,706	7,928,348
CASH, END OF YEAR	\$ 12,655,909	\$ 10,287,706
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 67,550	\$ 73,950

See Notes to Financial Statements



## FOOD FOR THE POOR, INC.

### NOTES TO FINANCIAL STATEMENTS

#### ( 1 ) Nature of activities and summary of significant accounting policies

**Nature of activities** - 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. ("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 two officers 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 2013, the Organization provided a grant and other financial support of approximately \$58,000 to support the operations of FFP - Canada.

**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 no permanently restricted net assets as of December 31, 2013.

**Basis of presentation** - The Organization primarily classifies 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 accounting standards generally accepted in the United States of America ("U.S. GAAP") 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.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Cash equivalents** - The Organization considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

The Organization had no cash equivalents at December 31, 2013.

**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, 2013, the Organization had \$564,123 of goods pending distribution.

**Property, building and equipment** - Acquisitions of property, building 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, building 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, building 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** - 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.

The Organization classifies contributions received with restrictions where the restrictions are satisfied in the same reporting period as unrestricted contributions.

**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.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Promises to give (continued)**

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.

Pharmaceutical GIK contributions received are valued using costing data acquired from recognized and published resources and are valued at their estimated wholesale acquisition cost ("WAC") on a drug by drug basis. If WAC is not available, the Organization discounts the drug's adjusted wholesale price ("AWP") to approximate the WAC. This valuation policy most resembles one used by a wholesale distributor of goods, which is the market role the Organization has in the acquisition and shipment of pharmaceutical donations. Pharmaceutical GIK contributions acquired from non-U.S. 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.

**Freight** - Shipping and handling costs are included in goods pending distribution in the accompanying statement of financial position upon receipt of goods and are expensed and included in goods and aid supplied in the accompanying statement of activities upon the shipment to recipients.

**Advertising** - Advertising costs are expensed as incurred and were \$410,272 for the year ended December 31, 2013 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 U.S. GAAP. In preparing the financial statements, management is required 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 1 ) Nature of activities and summary of significant accounting policies (continued)**

**Use of estimates (continued)**

assumptions and estimates. The most significant of these estimates relates to the estimation of the fair value of GIK, 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.

**New accounting principle** - During April 2013, the Financial Accounting Standards Board issued ASU No. 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. The amendments in this ASU apply to a not-for-profit entity ("NFP") that receive services from personnel of an affiliate that directly benefit the recipient NFP and for which the affiliate does not charge the recipient NFP. The recipient NFP will be required to recognize all such services, generally measured at the cost recognized by the affiliate for the personnel providing those services. The amendments are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. A recipient NFP may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted. Management is currently assessing the impact of this pronouncement on the Organization's financial statements.

**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, 2013.

U.S. GAAP requires 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, 2013, 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 2010.

**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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012 from which the summarized information was derived.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

( 1 ) **Nature of activities and summary of significant accounting policies (continued)**

**Reclassifications** - Certain 2012 amounts have been reclassified to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

( 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, 2013, the Organization had cash balances of \$8,920,702 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 65% of total support and revenue from five donors during 2013. These contributions were in the form of donated goods.

( 3 ) **Promises to give**

At December 31, 2013, unconditional promises to give consist of the following:

Receivable in less than one year	\$ 641,642
Receivable in one to five years	463,517
Receivable in more than five years	<u>42,071</u>
Total promises to give	1,147,230
Less: allowance for uncollectible promises to give	(400,000)
Less: discount to present value	<u>(6,197)</u>
Net promises to give	<u><u>\$ 741,033</u></u>

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 0.69%.

**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 4 ) Property, building and equipment**

At December 31, 2013, property, building and equipment consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 6,140,388	-
Land improvements	628,867	20 years
Building	9,871,209	40 years
Furniture and fixtures	692,350	7 years
Equipment	2,674,145	5-10 years
Vehicles	<u>283,009</u>	5 years
	20,289,968	
Less: accumulated depreciation	<u>4,945,650</u>	
Total property, building and equipment, net	<u>\$ 15,344,318</u>	

Depreciation expense for the year ended December 31, 2013 was \$540,050.

**( 5 ) Gift annuities**

The Organization entered into several gift annuity agreements, which provided for unrestricted cash of approximately \$69,000 at December 31, 2013 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 2.20%. 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, 2013, the Organization was contingently liable for reinsured gift annuities totaling \$6,700,740.

**( 6 ) Line of credit**

The Organization has a revolving line of credit of \$6 million 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 1.75% (for an effective rate of 1.90% at December 31, 2013) and is payable monthly. The Organization must repay all amounts outstanding during the period from January 1 through February 28. From March 1 through August 10, 2014 (the maturity date) the maximum outstanding borrowings permitted under the agreement is \$4 million, and from September 1 through December 31, the Organization may borrow up to \$6 million. There were no direct or contingent liabilities on the line of credit as of December 31, 2013. 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**

**( 7 ) Long-term debt**

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 1.62% at December 31, 2013). The mortgage is collateralized by the corporate headquarters and warehouse in Coconut Creek, Florida and matures in 2016. The maturities schedule of the mortgage note payable is as follows:

<u>Years Ending December 31,</u>	
2014	\$ 724,092
2015	724,092
2016	<u>181,017</u>
	<u>\$ 1,629,201</u>

**( 8 ) Net assets**

To help fulfill its mission, the Organization 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. At each year end, the Organization reports the unexpended portion of the project budgets as net assets designated for special projects. The balance to be apportioned based on these project budgets as of December 31, 2013 was \$4,551,474 and will be categorized as goods and aid supplied in the statement of activities.

Temporarily restricted net assets are available for the following as of December 31, 2013:

Promises to give	\$ 741,033
Goods and aid	<u>11,973</u>
Total temporarily restricted net assets	<u>\$ 753,006</u>

Temporarily restricted net assets were released from restrictions during the year ended December 31, 2013 for the following purposes:

Satisfactions of promises to give	\$ 1,638,221
Goods and aid distributed	<u>84,079</u>
Total net assets released from restrictions	<u>\$ 1,722,300</u>

## FOOD FOR THE POOR, INC.

### NOTES TO FINANCIAL STATEMENTS

#### ( 9 ) Related parties and other organizations

**Associated charities** - The Organization is associated with three charities. These charities were established with the name "Food for the Poor – "country name" and are based in Jamaica, Haiti and Guyana. Each of the charities operates distribution centers in their base country. The Organization has no ownership or voting interest in these charities. In 2013, the Organization made distributions of \$173,947,281 to these associated charities.

**Related charities** - The Organization distributes goods through various charities in which some board members hold executive positions. In 2013, the Organization made distributions of \$3,760,291 through these related charities.

**Distributions** - Goods and aid supplied in the accompanying statement of activities includes the distributions made to associated and related charities totaling \$177,707,572, of which \$15,717,651 was cash and \$161,989,921 was goods.

#### ( 10 ) Contingencies

Grants and contracts awarded to the Organization are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged. Expenditures are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended December 31, 2013. Certain grants awarded by the U.S. Government are subject to appropriations and funding thereof that may result in delays or even suspension of funding as a result of U.S. Government budgetary constraints imposed by the U.S. Congress.

#### ( 11 ) Retirement plan

The Organization maintains a 403(b)(7) ERISA Title 1 Plan which 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. For 2013, the Organization contributed \$310,398 to this plan all of which is included in accrued expenses. 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.

#### ( 12 ) Allocation of joint costs

For 2013, the Organization had joint costs of \$11,995,830 of which \$6,510,167 was allocated to educational and program activities, \$4,493,098 was allocated to fundraising activities and \$992,565 was allocated to administrative activities.



**FOOD FOR THE POOR, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**( 13 ) Subsequent events**

Management has evaluated subsequent events through March 27, 2014, which is 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.