

**Montana Food Bank Network**  
**Financial Statements**  
**Year Ended June 30, 2011**  
**and Eighteen Months Ended June 30, 2010**



**Junkermier • Clark**  
**Campanella • Stevens • P.C.**

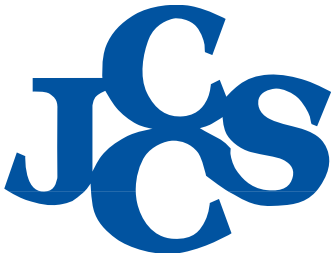
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Certified Public Accountants and Business Advisors

# Montana Food Bank Network

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Certified Public Accountants and Business Advisors

### **Independent Auditors' Report**

Board of Directors  
Montana Food Bank Network  
Missoula, Montana

We have audited the accompanying statements of financial position of Montana Food Bank Network (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2011 and eighteen months ended June 30, 2010. These financial statements are the responsibility of Montana Food Bank Network's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Food Bank Network as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the year ended June 30, 2011 and eighteen months ended June 30, 2010, 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 October 31, 2011, on our consideration of Montana Food Bank Network'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 the 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 basic financial statements taken as a whole.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Missoula, Montana  
October 31, 2011

**Montana Food Bank Network  
Statements of Financial Position  
June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 522,071	\$ 279,911
Accounts receivable	1,312	32,853
Grants receivable	268,513	21,155
Inventories	969,623	777,600
Prepaid expenses	10,860	5,393
Total current assets	1,772,379	1,116,912
Property and equipment, net	1,739,320	1,528,858
Investments	70,836	88,011
Building reserves	18,480	18,480
Total assets	<b>\$ 3,601,015</b>	<b>\$ 2,752,261</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 261,034	\$ 33,553
Accrued liabilities	18,998	101,180
Contract advances	-	2,000
Line of credit payable	-	6,747
Notes payable, current	8,673	18,484
Mortgages payable, current	14,018	19,796
Total current liabilities	302,723	181,760
Long-term liabilities		
Notes payable, net of current portion	49,454	73,715
Mortgages payable, net of current portion	306,470	315,621
Total long-term liabilities	355,924	389,336
Total liabilities	658,647	571,096
Net assets		
Unrestricted	2,792,948	2,003,893
Temporarily restricted	149,420	177,272
Total net assets	2,942,368	2,181,165
Total liabilities and net assets	<b>\$ 3,601,015</b>	<b>\$ 2,752,261</b>

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

**Montana Food Bank Network**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

	Unrestricted Activities	Temporarily Restricted Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Public support and revenue			
Public support			
Value of donated food	\$ 9,052,814	\$ -	\$ 9,052,814
Contributions	772,005	180,988	952,993
Contributions - in-kind	61,977	-	61,977
Grants	2,197,874	-	2,197,874
Special events	78,581	-	78,581
Net assets released from restriction	208,840	(208,840)	-
Total public support	<u>12,372,091</u>	<u>(27,852)</u>	<u>12,344,239</u>
Revenue			
Shared maintenance fees	171,294	-	171,294
Other revenue	27,783	-	27,783
Total revenue	<u>199,077</u>	<u>-</u>	<u>199,077</u>
Total public support and revenue	<u>12,571,168</u>	<u>(27,852)</u>	<u>12,543,316</u>
Expenses			
Program services			
Value of donated food distributed	9,067,259	-	9,067,259
Food distribution	1,685,223	-	1,685,223
Cannery operations	-	-	-
Public policy	322,562	-	322,562
Total program services	<u>11,075,044</u>	<u>-</u>	<u>11,075,044</u>
Support services			
Administration	104,992	-	104,992
Fundraising	602,077	-	602,077
Total support services	<u>707,069</u>	<u>-</u>	<u>707,069</u>
Total program and support services	<u>11,782,113</u>	<u>-</u>	<u>11,782,113</u>
Increase (decrease) in net assets	789,055	(27,852)	761,203
Net assets - beginning of year	2,003,893	177,272	2,181,165
Net assets - end of year	<u>\$ 2,792,948</u>	<u>\$ 149,420</u>	<u>\$ 2,942,368</u>

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

**Montana Food Bank Network**  
**Statement of Activities**  
**For the Eighteen Months Ended June 30, 2010**

	Unrestricted Activities	Temporarily Restricted Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Public support and revenue			
Public support			
Value of donated food	\$ 10,344,382	\$ -	\$ 10,344,382
Contributions	1,018,546	278,860	1,297,406
Contributions - in-kind	6,261	-	6,261
Grants	2,197,373	-	2,197,373
Special events	96,908	-	96,908
Net assets released from restriction	<u>554,795</u>	<u>(554,795)</u>	<u>-</u>
Total public support	14,218,265	(275,935)	13,942,330
Revenue			
Shared maintenance fees	314,803	-	314,803
Other revenue	<u>6,056</u>	<u>-</u>	<u>6,056</u>
Total revenue	320,859	-	320,859
Total public support and revenue	<u>14,539,124</u>	<u>(275,935)</u>	<u>14,263,189</u>
Expenses			
Program services			
Value of donated food distributed	9,904,754	-	9,904,754
Food distribution	2,600,525	-	2,600,525
Cannery operations	218,903	-	218,903
Public policy	<u>341,743</u>	<u>-</u>	<u>341,743</u>
Total program services	13,065,925	-	13,065,925
Support services			
Administration	168,609	-	168,609
Fundraising	<u>729,531</u>	<u>-</u>	<u>729,531</u>
Total support services	898,140	-	898,140
Total program and support services	<u>13,964,065</u>	<u>-</u>	<u>13,964,065</u>
Increase (decrease) in net assets	575,059	(275,935)	299,124
Net assets - beginning of year	<u>1,428,834</u>	<u>453,207</u>	<u>1,882,041</u>
Net assets - end of year	<u><u>\$ 2,003,893</u></u>	<u><u>\$ 177,272</u></u>	<u><u>\$ 2,181,165</u></u>

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

**Montana Food Bank Network  
Statement of Functional Expenses  
For the Year Ended June 30, 2011**

	<u>Food Distribution</u>	<u>Public Policy</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Value of donated food distributed	\$ 9,067,259	\$ -	\$ -	\$ -	\$ 9,067,259
Cost of food delivered	1,085,701	-	-	-	1,085,701
Salaries	256,582	114,968	53,062	151,741	576,353
Payroll taxes	30,351	11,375	4,605	14,398	60,729
Employee benefits	16,949	9,078	3,276	10,546	39,849
Training	695	24	1,990	1,127	3,836
Travel	5,617	7,436	4,261	1,798	19,112
Supplies	12,890	1,512	3,455	16,667	34,524
Printing and publications	809	6,944	143	266,951	274,847
Postage and delivery	1,633	2,318	865	74,854	79,670
Telephone	5,201	2,722	1,931	1,720	11,574
Advertising	-	2,230	639	5,797	8,666
Contract services	20,006	3,394	6,941	24,253	54,594
Professional fees	3,170	1,565	14,373	3,409	22,517
Conference and meeting costs	373	2,004	247	629	3,253
Kids' Cafe and agency grants	34,756	-	-	-	34,756
Insurance	15,780	1,856	1,825	3,468	22,929
Dues and subscriptions	7,704	219	219	6,402	14,544
Utilities	33,652	1,069	356	713	35,790
Equipment purchases	8,353	11,092	462	318	20,225
Depreciation	133,434	2,182	1,060	2,489	139,165
Repairs and maintenance	37,728	1,129	608	992	40,457
Rent	2,079	964	201	1,851	5,095
Fuel, oil, and gas	35,823	-	-	14	35,837
Interest	18,329	909	1,801	606	21,645
Bank and finance charges	74	-	67	3,039	3,180
In-kind expenses	31,931	21,968	477	7,600	61,976
Other	837	370	2,128	695	4,030
<b>Total expenses</b>	<b><u>\$ 10,867,716</u></b>	<b><u>\$ 207,328</u></b>	<b><u>\$ 104,992</u></b>	<b><u>\$ 602,077</u></b>	<b><u>\$ 11,782,113</u></b>
Percentage of total expenses	92 %	2 %	1 %	5 %	100 %

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

**Montana Food Bank Network**  
**Statement of Functional Expenses**  
**For the Eighteen Months Ended June 30, 2010**

	Food Distribution	Cannery Operations	Public Policy	General and Administrative	Fundraising	Total
Value of donated food distributed	\$ 9,904,754	\$ -	\$ -	\$ -	\$ -	\$ 9,904,754
Cost of food delivered	1,523,133	13,491	-	-	-	1,536,624
Salaries	499,958	32,181	189,382	102,842	169,583	993,946
Payroll taxes	56,867	3,041	17,825	10,758	16,623	105,114
Employee benefits	41,701	2,873	20,597	9,358	15,421	89,950
Training	1,115	721	673	632	460	3,601
Travel	16,046	2,861	14,044	2,836	3,670	39,457
Supplies	20,928	5,271	4,048	3,963	25,970	60,180
Printing and publications	1,060	-	6,474	67	312,869	320,470
Postage and delivery	2,972	1	2,160	958	91,199	97,290
Telephone	8,144	493	4,869	1,758	1,759	17,023
Advertising	182	-	-	308	4,978	5,468
Contract services	31,540	133,809	2,193	6,125	63,331	236,998
Professional fees	-	-	-	9,129	120	9,249
Conference and meeting costs	1,977	207	349	512	168	3,213
Kids' Cafe and agency grants	33,760	-	6,000	-	-	39,760
Insurance	22,882	284	2,073	2,767	1,188	29,194
Dues and subscriptions	11,631	-	201	677	5,471	17,980
Utilities	44,297	6,061	2,334	824	1,327	54,843
Equipment purchases	7,136	31	596	1,757	1,192	10,712
Depreciation	140,819	13,355	2,428	1,695	3,210	161,507
Repairs and maintenance	57,480	3,719	1,330	588	804	63,921
Rent	21,241	471	2,993	965	3,267	28,937
Fuel, oil, and gas	79,040	-	-	-	27	79,067
Interest	30,626	-	1,403	468	935	33,432
Bank and finance charges	95	-	-	541	3,181	3,817
In-kind expenses	5,201	33	67	50	910	6,261
Other	254	-	144	9,031	1,868	11,297
<b>Total expenses</b>	<b>\$ 12,564,839</b>	<b>\$ 218,903</b>	<b>\$ 282,183</b>	<b>\$ 168,609</b>	<b>\$ 729,531</b>	<b>\$ 13,964,065</b>
Percentage of total expenses	90 %	2 %	2 %	1 %	5 %	100 %

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

**Montana Food Bank Network**  
**Statements of Cash Flows**  
**For the Year Ended June 30, 2011 and**  
**Eighteen Months Ended June 30, 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Increase in net assets	\$ 761,203	\$ 299,124
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	139,165	161,507
(Gain) on disposal of assets	(24,993)	(215)
Unrealized losses on investments	48	67
Grant proceeds and contributions used for long-term purposes	-	-
In-kind donations	(61,977)	(6,261)
In-kind expenses	61,977	6,261
Changes in operating assets and liabilities		
Receivables	(215,817)	16,058
Inventories	(192,023)	(392,756)
Prepaid expenses	(5,467)	(1,727)
Accounts payable	227,481	(24,722)
Accrued liabilities	(82,182)	63,739
Contract advances	(2,000)	2,000
Net cash from operating activities	<u>605,415</u>	<u>123,075</u>
Cash flows from investing activities		
Purchase of property and equipment	(369,984)	(460,851)
Proceeds from sales of property and equipment	45,350	200
Proceeds from sales of investments	17,127	8,548
Net cash from investing activities	<u>(307,507)</u>	<u>(452,103)</u>
Cash flows from financing activities		
Proceeds from line of credit	-	123,471
Payments on line of credit	(6,747)	(121,938)
Proceeds from long-term debt	-	95,430
Payments on long-term debt	(49,001)	(74,105)
Net cash from financing activities	<u>(55,748)</u>	<u>22,858</u>
Net increase (decrease) in cash and equivalents	242,160	(306,170)
Cash and cash equivalents - beginning of year	<u>279,911</u>	<u>586,081</u>
Cash and cash equivalents - end of year	<u>\$ 522,071</u>	<u>\$ 279,911</u>
<u>Supplemental Disclosures</u>		
Cash paid for interest	<u>\$ 21,676</u>	<u>\$ 34,184</u>

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

**Montana Food Bank Network  
Notes to Financial Statements  
Year Ended June 30, 2011 and  
Eighteen Months Ended June 30, 2010**

**1. Organization and Summary of Significant Accounting Policies**

Organization

The Montana Food Bank Network, Inc. ("MFBN") is a nonprofit, tax-exempt (section 501(c)(3)) organization whose vision is building a unified force to address hunger in Montana. The mission of MFBN is working to eliminate hunger in Montana through food acquisition and distribution, education and advocacy. It acts to accomplish its mission by soliciting, warehousing and transporting food and distributing it to charitable programs that directly serve needy families, children and seniors in the State of Montana. MFBN partners with 194 agencies across the State of Montana that include community operated food banks, food pantries, soup kitchens, senior centers, day care centers, rehabilitation facilities and group homes. MFBN coordinates the hunger-relief work of its Partner Agencies through promoting hunger awareness in Montana, maintenance of publications and resources, facilitating a state-wide system for the transportation and storage of food, and providing education on hunger-related issues. The following are the major programs of MFBN.

*Food Distribution* - MFBN solicits food donations from the food industry, Feeding America (the national food bank system), formerly known as America's Second Harvest, Montana retailers and wholesalers, and produce recovery efforts through statewide and regional farmers. MFBN is contracted with the U.S. Department of Agriculture and the State of Montana to warehouse and distribute The Emergency Food Assistance Program ("TEFAP") commodity food. MFBN also purchases food with grant and donated funds at wholesale cost for benefit of its Partner Agencies. Donated, commodity and purchased food is then transported, warehoused and distributed to charitable programs that directly serve needy people throughout all 56 counties in the State of Montana.

Complimentary to its Food Distribution model, MFBN also fights hunger by providing a Mobile Food Pantry that distributes food to unserved and underserved communities in Montana. In an effort to combat childhood hunger, MFBN has begun a Backpack Program in local area counties to provide healthy food that income-qualified students at risk of hunger can take home and eat over the weekend and during school holidays.

*Canning Program* - In cooperation with the Montana Department of Public Health and Human Services, Fish Wildlife & Parks, and the Montana Department of Corrections, the Montana Food Bank Network has developed a canning facility in Deer Lodge, MT. There, bulk quantities of donated product at their peak of freshness are inexpensively but safely preserved into shelf-stable forms and fish and confiscated game are processed into frozen chubs. As of March 31, 2010 MFBN concluded the relationship with the Department of Corrections as it relates to the canning facilities in Deer Lodge, Montana. There were no effects on the financial statements as a result of this change.

*Public Policy Program* - MFBN promotes sustainable solutions to hunger and works to address long-term chronic hunger issues. MFBN aims to improve access to adequate nutrition among Montanans with limited income by increasing awareness about and access to public nutrition programs through application assistance workshops, community meetings and working with those interested in applying. MFBN also collects and monitors data on hunger, food insecurity, and access to affordable healthy food. MFBN promotes public awareness and encourages Montanans to make the hunger issue a priority by establishing an ongoing dialogue about ways to end hunger in our communities. MFBN's Food Security Council ("the Council") provides a forum for discussion and sharing best practices among anti-hunger leaders. The Council serves to identify barriers that create food insecurity, gaps in services, and the need for program development throughout the state.

**Montana Food Bank Network  
Notes to Financial Statements  
Year Ended June 30, 2011 and  
Eighteen Months Ended June 30, 2010**

**1. Organization and Summary of Significant Accounting Policies (Continued)**

Basis of Accounting

MFBN's financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The financial statement presentation follows the recommendation of Financial Accounting Standards Board Codification 958-205 (ASC 958-205), (formerly Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*). Under ASC 958-205, MFBN is required to report information regarding its financial information and activities according to three classes of net assets: unrestricted net assets, which represent the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represent resources restricted by donors as to purpose or by passage of time; and permanently restricted net assets, which represent resources whose use by MFBN is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MFBN. MFBN presently has no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization maintains various accounts at local banks that are insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

Investments are reported at fair value based on quoted market prices, if available, or estimated using quoted market prices for similar investments. Interest, dividends, and realized and unrealized gains and losses are included in investment income. The Organization determined the fair value of its investments through the application of FASB ASC 820, *Fair Value Measurements and Disclosures*.

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts and Grants Receivable

The Organization uses the allowance method for uncollectible receivables. Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off. There were no bad debts recorded for the year ended June 30, 2011 and the eighteen months ended June 30, 2010. The allowance for doubtful accounts is estimated at zero for the year ended June 30, 2011 and 2010.

**Montana Food Bank Network  
Notes to Financial Statements  
Year Ended June 30, 2011 and  
Eighteen Months Ended June 30, 2010**

**1. Organization and Summary of Significant Accounting Policies (Continued)**

Inventory

Inventories consist of food that has been donated or purchased during the current year and has not yet been distributed. In accordance with Feeding America's Product Valuation Survey, donated inventory items are valued at \$1.66 per pound as of June 30, 2011 and at \$1.58 per pound at June 30, 2010.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets. MFBN capitalizes all expenditures for property and equipment equal to or greater than \$1,000 and having a useful life exceeding one year.

Donated Goods and Services

MFBN reports gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and, shortly thereafter, as an expense when granted to MFBN agencies.

In addition, many individuals and organizations have made in-kind donations or volunteered their services to MFBN. As required by FASB Accounting Standards Codification 958-605-25 (ASC 958-602-25), (formerly Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*), in-kind donations and contributed services requiring specific expertise are to be recorded in the financial statements at their estimated fair value. In-kind donations consisting of donated printing and advertising were \$61,977 and \$6,261 for the year ended June 30, 2011 and the eighteen months ended June 30, 2010, respectively.

In 2011, the organization did not include the value of donated advertising in its financial statements because after further industry research, it considers these amounts to be a service not requiring specialized skills, which are not recorded for financial statement purposes. In 2010, the organization considered donated advertising to be a donated good, which is required to be reported in the financial statements.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. Contributions, including unconditional pledges, are recognized in the period received. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

MFBN receives grants from the Federal and State governments that are conditioned upon MFBN incurring certain qualifying costs. These grants are considered to be conditional promises to give and therefore are recognized as unrestricted revenue as those costs are incurred.

Advertising Costs

MFBN expenses non-direct response advertising costs as incurred.

**Montana Food Bank Network  
Notes to Financial Statements  
Year Ended June 30, 2011 and  
Eighteen Months Ended June 30, 2010**

**1. Organization and Summary of Significant Accounting Policies (Continued)**

Income Taxes

The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2008.

Functional Allocation of Expenses

The costs of providing various programs and activities are summarized on a functional basis in the statement of activities. Certain administrative and other costs have been allocated among the programs based on specific identification or based on estimates of the expenses incurred. The primary activity groups and their related purposes are summarized as follows:

Administrative Expenses - Expenses which allow MFBN to operate and provide services to clients, but are not directly attributable to client services.

Program Services - Expenses which are associated with food distribution, cannery activities, education, and outreach activities.

Fundraising Expenses - Provides for direct mail fundraising and low-cost supplies and services for special events and activities designed to create public awareness and support for hunger-related issues.

**2. Building Reserve**

A summary of reserves at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Certificate of deposit	\$ <u>18,480</u>	\$ <u>18,480</u>

The certificate of deposit is reserved for building improvements as required under MFBN's USDA mortgage note (see Note 6), and is reinvested quarterly to annually in a 3 to 12-month certificate.

**3. Grants Receivable**

The following grants receivable are considered unconditional promises to give:

	<u>2011</u>	<u>2010</u>
Montana State Department of Public Health and Human Services		
Award "MT Hunger Relief Forum Grant 2010"	\$ -	\$ 5,000
Award "Referrals Grant 2010"	-	5,000
Award "Emergency Food Assistance Program"	268,513	4,618
United States Department of Agriculture		
Award "Food Stamp Program Outreach Grant"	<u>-</u>	<u>6,537</u>
Total grants receivable	<u>\$ 268,513</u>	<u>\$ 21,155</u>

**Montana Food Bank Network  
Notes to Financial Statements  
Year Ended June 30, 2011 and  
Eighteen Months Ended June 30, 2010**

**3. Grants Receivable (Continued)**

The promises to give are due as follows:

Less than one year	<u>\$ 268,513</u>
--------------------	-------------------

Promises to give with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate used at June 30, 2011 was 0.31%.

**4. Conditional Grants Receivable**

MFBN had the following conditional promises to give that are not recognized as assets in the statement of financial position. The grants are reimbursement based contracts that are conditional upon related expenditures being made.

	2011	2010
Montana State Department of Public Health and Human Services		
Award "Acquisition, Storage, Transportation, and Reporting of Food"	\$ -	\$ 2,034
Award "Purchase Food to Reduce Hunger in Montana"	-	42,745
Award "Food Assistance Program Outreach"	-	43,976
Award "Emergency Food Assistance Program"	33,706	21,331
Total	\$ 33,706	\$ 110,086

**5. Property and Equipment**

Property and equipment consists of the following:

	2011	2010
Land	\$ 67,500	\$ 67,500
Buildings	1,221,245	1,221,245
Building improvements	228,709	68,970
Machinery and equipment	739,665	728,887
Computer equipment and software	64,152	64,152
	2,321,271	2,150,754
Less accumulated depreciation	(581,951)	(621,896)
Total	\$ 1,739,320	\$ 1,528,858

Depreciation expense for the year ended June 30, 2011 and the eighteen months ended June 30, 2010 was \$139,165 and \$161,507, respectively.

**Montana Food Bank Network  
Notes to Financial Statements  
Year Ended June 30, 2011 and  
Eighteen Months Ended June 30, 2010**

**6. Notes and Mortgages Payable**

Notes and Mortgages payable at June 30, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Note payable to First Security Bank due November 2011, interest at 7.896%, payable \$1,661 monthly including interest; secured by 2006 Freightliner CL120 truck	\$ -	\$ 26,625
Mortgage payable to United States Department of Agriculture due July 2039, interest at 4.75%, payable \$1,538 monthly including interest, secured by building and land	284,143	290,383
Mortgage payable to First Security Bank due April 2014, fixed interest at 6.25%, payable \$1,005 monthly including interest; secured by building and land	58,127	65,574
Mortgage payable to First Security Bank due July 2019, variable interest at 3.75% to 8.75%, payable \$852 monthly including interest; secured by building and land	<u>36,345</u>	<u>45,034</u>
	378,615	427,616
Less current portion	<u>(22,691)</u>	<u>(38,280)</u>
Mortgages payable, net of current portion	<u>\$ 355,924</u>	<u>\$ 389,336</u>

The aggregate annual maturities of long-term debt as of June 30, 2011 are as follows:

2012	\$ 22,691
2013	23,831
2014	55,434
2015	14,012
2016	6,042
Thereafter	<u>256,605</u>
	<u>\$ 378,615</u>

Interest expense on notes payable and mortgages payable amounted to \$21,645 and \$33,432 for the year ended June 30, 2011 and the eighteen months ended June 30, 2010, respectively.

**Montana Food Bank Network  
Notes to Financial Statements  
Year Ended June 30, 2011 and  
Eighteen Months Ended June 30, 2010**

**6. Notes and Mortgages Payable (Continued)**

In addition, the USDA requires \$154 per month be deposited into a reserve account until the total value of the reserve account reaches \$18,480. Reserve funds may be used for making extensions or improvements to the facility, and repairing or replacing any damage to the facility. Whenever disbursements are made, monthly deposits shall be resumed until \$18,480 is accumulated. The balance in the reserve as of June 30, 2011 and 2010 was \$18,480 and \$18,480, respectively.

**7. Line of Credit**

MFBN has two lines of credit with a local bank which provides borrowings up to a maximum of \$100,000. As of June 30, 2011 and 2010, MFBN had outstanding balances as follows:

	2011	2010
Line of Credit with First Security Bank, limited to \$50,000, maturing July 2012, interest rate is set at 0.50 percentage points under the WSJ Index, with a floor rate of 4.50%.	\$ -	\$ 6,747
Line of Credit with First Security Bank limited to \$50,000, maturing June 2012, interest rate is set at 0.50% over the WSJ Index with a floor rate of 5.00%.	-	-
Total Lines of Credit	-	6,747
Total Unused Lines of Credit	\$ 100,000	\$ 93,253

**8. Contract Advances**

In certain instances, MFBN may request an advance from a grantor to cover anticipated expenses to be incurred for the grant. Accordingly, at times, there may be advances of cash received on grants which have not yet been earned. Such advances are recorded as liabilities in the statement of financial position until expenses have been incurred to satisfy the conditions of the promise to give. There were zero and \$2,000 unearned contract advances as of June 30, 2011 and 2010, respectively.

**9. Employee Benefit Plan**

Montana Food Bank Network employees may participate in a Code Section 403(b) Defined Contribution Retirement Plan. Employees are eligible to participate on a voluntary basis on the plan entry date following employment and are fully vested upon contribution. For the year ended June 30, 2011 and the eighteen months ended June 30, 2010, Montana Food Bank Network contributed no matching contributions.

**Montana Food Bank Network  
Notes to Financial Statements  
Year Ended June 30, 2011 and  
Eighteen Months Ended June 30, 2010**

**10. Net Assets**

Donor restrictions on temporarily restricted net assets consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Restricted for vehicle, building, and equipment	\$ 1,500	\$ 10,875
Food distribution support	15,216	-
Backpack program	66,690	79,002
Mobile food pantry program	27,726	-
Restricted by time requirements	<u>38,288</u>	<u>87,395</u>
Total	<u>\$ 149,420</u>	<u>\$ 177,272</u>

**11. Reclassifications**

Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format. There was no effect on the 2010 net assets as a result of these changes.

**12. Subsequent Event**

The organization has evaluated subsequent events through October 31, 2011, the date which the financial statements were available to be issued.

**Montana Food Bank Network  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Contract No.</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Montana Department of Public Health and Human Services, Intergovernmental Human Services Bureau The Emergency Food Assistance Program (TEFAP) Rural Infrastructure Grants	10.568	TEFAPRURAL- 10-MT-01	\$ 250,000
Acquisition, Storage, Transportation and Reporting of Food	10.568	10-027-24002-0 (Amendment #1)	<u>278,076</u>
Total CFDA 10.568			<u>528,076</u>
 Purchase of Supplies & Minor Equipment for Food Banks	 10.561	 10-027-24003-0	 <u>42,745</u>
Total CFDA 10.561			42,745
 Montana Department of Public Health and Human Services, Public Assistance Bureau Food Assistance Program Outreach	 10.580	 08-022-280-36-0 (Amendment #1)	 <u>37,431</u>
Total U.S. Department of Agriculture			<u>608,252</u>
<b>U.S. Department of Health and Human Services</b>			
Montana Department of Public Health and Human Services, Public Assistance Bureau Emergency Food Assistance Program (EFAP) Funding	93.558	10-027-24001-0 (Amendment #2)	34,331
Emergency Food Assistance Program (EFAP) Funding	93.558	11-027-24001-0 (Amendment #2)	42,314
ARRA - Emergency Food Assistance Program (EFAP) Funding	93.558	10-029-24001-0 (Amendment #1)	35,000
Reimbursement for Providing Services to Verified TANF Recipient Families	93.558	11-022-28020-0	<u>857,500</u>
Total CFDA 93.558			<u>969,145</u>
Total U.S. Department of Health and Human Services			<u>969,145</u>
<b>Total Federal Programs</b>			<u><u>\$ 1,577,397</u></u>

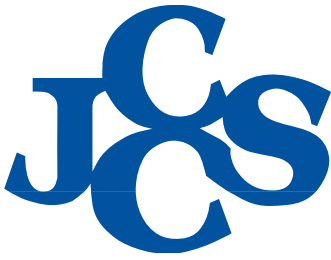
See the accompanying notes to the schedule of expenditures of federal awards.

**Montana Food Bank Network**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

**1. Basis of Presentation**

The accounting policies used in preparing the Schedule of Expenditures of Federal Awards are the same as those used in the preparation of the basic financial statements as described in Note 1 to the financial statements, except that reported Federal expenditures include building improvements which are capitalized as assets and not reported as expenses in the financial statements.

The information included in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements. Reported Federal expenditures include only expenditures paid with Federal funds.



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Certified Public Accountants and Business Advisors

**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***

Board of Directors  
Montana Food Bank Network  
Missoula, Montana

We have audited the financial statements of Montana Food Bank Network as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montana Food Bank Network's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montana Food Bank Network's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Montana Food Bank Network's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

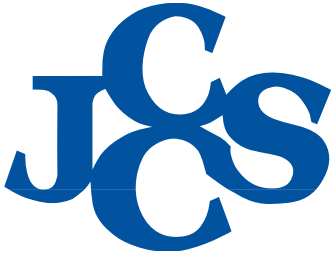
Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Junkermier, Clark, Campanella, Stevens, P.C.*

Missoula, Montana  
October 31, 2011



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Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Directors  
Montana Food Bank Network  
Missoula, Montana

Compliance

We have audited the compliance of Montana Food Bank Network's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Montana Food Bank Network's major federal programs for the year ended June 30, 2011. Montana Food Bank Network's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Montana Food Bank Network's management. Our responsibility is to express an opinion on Montana Food Bank Network's compliance based on our audit.

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 noncompliance 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 Montana Food Bank Network'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. Our audit does not provide a legal determination of Montana Food Bank Network's compliance with those requirements.

In our opinion, Montana Food Bank Network complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of Montana Food Bank Network is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Montana Food Bank Network's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Montana Food Bank Network'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, noncompliance 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 noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Junkermier, Clark, Campanella, Stevens, P.C.*

Missoula, Montana  
October 31, 2011

**Montana Food Bank Network  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**I. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of Montana Food Bank Network
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements were reported in the 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*.
3. No instances of noncompliance material to the financial statements of Montana Food Bank Network were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Montana Food Bank Network expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Montana Food Bank Network reported in Part III of this schedule.
7. The programs tested as major programs include the following: USDA CFDA 10.568 and HHS CFDA 93.558.
8. The threshold for distinguishing Types A and B programs was \$300,000 in expenditures.
9. Montana Food Bank Network qualified as a low-risk auditee.

**II. Findings - Financial Statements Audit**

No matters were reported.

**III. Findings and Questioned Costs - Major Federal Award Programs**

No matters were reported.

**IV. Status of Prior Year Findings**

No matters were reported.