Central Pennsylvania Food Bank

Financial Statements and
Supplementary Information

June 30, 2011 and 2010

ParenteBeard

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Central Pennsylvania Food Bank

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Independent Auditors' Report

Board of Directors
Central Pennsylvania Food Bank

We have audited the accompanying statement of financial position of the Central Pennsylvania Food Bank (the Food Bank) as of June 30, 2011 and 2010, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Food Bank'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 audits 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 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 the Central Pennsylvania Food Bank as of June 30, 2011 and 2010, and the changes in its net assets, and its cash flows for the years 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 September 21, 2011, on our consideration of the Central Pennsylvania Food Bank'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 should be considered in assessing the results of our audits.

ParenteBeard LLC

Lancaster, Pennsylvania
September 21, 2011

Central Pennsylvania Food Bank

Statement of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	$ 4,595,680	$ 3,052,719
Short-term investments	831,840	1,041,159
Current portion of promises to give	50,000	-
Accounts receivable	238,220	173,020
Grants, storage fees, and reimbursements receivable	414,164	324,442
Gift cards	142,287	73,144
Donated food and grocery product inventory	2,276,405	2,319,655
Purchased food and grocery product inventory	691,659	382,966
Prepaid expenses	41,639	46,547
Total current assets	9,281,894	7,413,652
Promises to Give	50,000	-
Investments	8,811,459	7,160,333
Property and Equipment, Net	3,684,403	3,501,146
Total assets	$ 21,827,756	$ 18,075,131

See notes to financial statements

Central Pennsylvania Food Bank

Statement of Financial Position
June 30, 2011 and 2010

Liabilities and Net Assets	2011	2010
Current Liabilities		
Accounts payable	$ 111,227	$ 46,002
Accrued payroll and taxes	263,357	236,286
County advances and grants	197,178	55,580
Accrued expenses	54,580	39,114
Refundable advances	-	125
Current portion of capital leases	96,132	62,429
Total current liabilities	722,474	439,536
Capital Lease Obligations	252,201	150,295
Total liabilities	974,675	589,831
Net Assets		
Unrestricted:		
Operating	9,686,854	7,811,841
Food and grocery product inventory	2,968,064	2,702,621
Board designated:		
Reserve Fund	5,313,388	4,643,570
Funded Depreciation	1,674,548	1,409,572
Total unrestricted	19,642,854	16,567,604
Temporarily Restricted	100,000	-
Permanently Restricted	1,110,227	917,696
Total net assets	20,853,081	17,485,300
Total liabilities and net assets	$ 21,827,756	$ 18,075,131

See notes to financial statements

Central Pennsylvania Food Bank

Statement of Activities
Years Ended June 30, 2011 and 2010

	2011	2010
Changes in Unrestricted Net Assets		
Support and Revenue		
Food and grocery products contributions	$ 26,271,782	$ 23,039,239
Purchased product sales	1,578,852	1,424,499
Gift card contributions	126,721	133,000
Shared maintenance contributions	1,518,352	1,348,238
General contributions	1,684,337	1,618,372
Direct mail appeals	1,186,352	1,093,633
Grants	177,239	147,519
Federal support - Kids' Café program	332,039	285,516
Federal support - Eldershare program	237,585	112,575
PA State food grant administration fees	17,272	22,020
Commodity storage	180,554	132,872
Special events	186,151	172,290
Other	100,449	94,160
Membership fees	19,575	19,500
Interest and dividends	198,055	186,629
Net realized gain on sale of investments	100,653	348,927
Net unrealized gain on investments	1,158,694	203,235
Loss on disposal of property and equipment	-	(11,413)
Total support and revenue	35,074,662	30,370,811
Expenses		
Program services:		
Food and grocery product distributions	26,332,861	22,523,622
Purchase product distributions	1,148,623	1,077,859
Gift card distributions	28,949	51,639
Operations	2,426,381	1,908,613
Community programs	882,223	775,957
Management and general	594,748	503,980
Development (fundraising)	585,627	511,708
Total expenses	31,999,412	27,353,378
Changes in unrestricted net assets	3,075,250	3,017,433
Changes in Temporarily Restricted Net Assets		
Contributions	100,000	-
Changes in temporarily restricted net assets	100,000	-
Changes in Permanently Restricted Net Assets		
Contributions	-	959,012
Interest and dividends	22,770	-
Net realized gain on sale of investments	5,178	-
Net unrealized gain (loss) on investments	164,583	(41,316)
Changes in permanently restricted net assets	192,531	917,696
Changes in net assets	$ 3,367,781	$ 3,935,129

See notes to financial statements

Central Pennsylvania Food Bank

Statement of Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Beginning	$ 16,567,604	$ -	$ 917,696	$ 17,485,300	$ 13,550,171	$ -	$ -	$ 13,550,171
Changes in net assets	3,075,250	100,000	192,531	3,367,781	3,017,433	-	917,696	3,935,129
Net Assets, Ending	$ 19,642,854	$ 100,000	$ 1,110,227	$ 20,853,081	$ 16,567,604	$ -	$ 917,696	$ 17,485,300

See notes to financial statements

Central Pennsylvania Food Bank

Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Changes in net assets	$ 3,367,781	$ 3,935,129
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	264,976	214,522
Net realized and unrealized gain on investments	(1,429,108)	(510,846)
Loss on disposal of property and equipment	-	11,413
In-kind contributions - contributed assets	-	(64,077)
In-kind contributions - contributed investments	-	(902,114)
Restricted contributions	(100,000)	-
(Increase) decrease in assets:		
Accounts receivable	(65,200)	87,384
Grants, storage fees, and reimbursements receivable	(89,722)	(255,182)
Gift cards	(69,143)	(2,173)
Food and grocery product inventory	(265,443)	(581,151)
Prepaid expenses	4,908	(11,316)
Increase (decrease) in liabilities:		
Accounts payable	65,225	(16,835)
Accrued payroll and taxes	27,071	(28,160)
County advances and grants	141,598	(18,640)
Accrued expenses	15,466	15,114
Refundable advances	(125)	(2,949)
Net cash provided by operating activities	1,868,284	1,870,119
Cash Flows from Investing Activities		
Purchase of investments	(2,132,746)	(3,091,228)
Proceeds from sales and redemptions of investments	2,120,047	2,855,658
Purchase of property and equipment	(234,081)	(1,028,108)
Net cash used in investing activities	(246,780)	(1,263,678)
Cash Flows Used in Financing Activities		
Repayment of capital leases	(78,543)	(77,210)
Net cash used in financing activities	(78,543)	(77,210)
Net increase in cash and cash equivalents	1,542,961	529,231
Cash and Cash Equivalents, Beginning	3,052,719	2,523,488
Cash and Cash Equivalents, Ending	$ 4,595,680	$ 3,052,719
Supplementary Cash Flows Information		
Interest paid	$ 24,076	$ 14,532

Supplementary Schedule of Noncash Investing and Financing Activities

During the years ended June 30, 2011 and 2010, the Food Bank funded property and equipment acquisitions with various capital leases amounting to $214,152 and $112,887, respectively.

See notes to financial statements

1. Nature of Operations

Central Pennsylvania Food Bank (the Food Bank) is a nonprofit Pennsylvania corporation that sources, warehouses, and distributes wholesome donated food for the benefit of individuals and families in need in 27 counties in Central Pennsylvania. The Food Bank operates a primary warehouse in Harrisburg, Pennsylvania and a satellite warehouse in Williamsport, Pennsylvania that distribute food in partnership with over 600 nonprofit member agencies that directly serve people in need. The Food Bank and its member agencies rely substantially on volunteer services to carry out their charitable activities.

The Food Bank receives donated food from growers, processors, wholesalers, retail grocers, food drives, and government programs. In recent years, consistent with national trends, increases in demand have outpaced the supply of donated food, resulting in the need for the Food Bank to supplement its distributions with purchased product.

In addition to accepting food donations, the Food Bank solicits monetary donations from individuals, businesses, and other organizations to help fund the costs of carrying out its charitable mission. Individuals in need do not pay any costs for the food provided by the Food Bank.

2. Estimates and Summary of Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Cash and Cash Equivalents

For purposes of reporting, the Food Bank considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

Investments

The Food Bank carries investments in debt and equity securities at their fair market value with gains and losses included in the statement of activities. Fair market value of the investments is determined using quoted market prices of a national securities exchange.

Food and Grocery Product Inventory

Donated food and grocery product inventory are recorded at fair market value. Fair market value for donated inventory, other than USDA food and grocery product, was determined using actual inventory weight, in pounds, multiplied by a calculated "per pound" value. The “per pound” value is calculated annually and is the composite wholesale value of a variety of products that is derived from published prices from a national food distributor. Specific valuation procedures are established by Feeding America, the nation’s food bank network. The Food Bank’s policy is to treat the calculated "per pound" values ($1.66 and $1.60 as of June 30, 2011 and 2010, respectively) as industry standard and, therefore, generally accepted for financial reporting purposes. USDA food and grocery product inventory is reported at fair market value as determined by the federal government using a food commodities price index. Purchased food and grocery product inventories are stated at the lower of cost (first-in, first-out) or market.

The inventory amounts included in the financial statements are many times higher than the amount the Food Bank may ultimately receive when the product is distributed to member agencies. The Food Bank does not "charge" for distributed product; instead, member agencies reimburse the Food Bank for a portion of its operating costs. On average, during the fiscal years ended June 30, 2011 and 2010, member agencies reimbursed the Food Bank less than $.10 per pound for distributed product.

Accounts Receivable

Accounts receivable is stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management’s periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a customer’s ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

Promises to Give

Promises to give are stated at their outstanding balance. Promises to give are recognized when the Food Bank is notified of the promises. The Food Bank considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for uncollectible promises to give will be established, or the accounts will be charges to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Property and Equipment

Property and equipment are recorded at cost for all items purchased, and fair market value at date of receipt for contributed property and equipment. Depreciation is provided on the straight-line method over the estimated useful lives. Construction period interest is included as part of the cost of the building. Construction in progress is not depreciated until completion of construction. As of June 30, 2011, the building includes $216,231 of construction in progress. The Food Bank's policy is to review all invoices in excess of $1,000 to determine if they should be capitalized. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Donor Restrictions

The Food Bank reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

There are three classes of net assets - permanently restricted, temporarily restricted, and unrestricted:

> *Permanently restricted net assets* are net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Food Bank. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.
>
> *Temporarily restricted net assets* are net assets subject to donor-imposed stipulations that may or will be met by actions of the Food Bank and/or the passage of time.
>
> *Unrestricted net assets* are net assets not subject to donor-imposed stipulations. The Board of Directors may, at its discretion, designate unrestricted funds for specific purposes.

The Food Bank reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Services

The Food Bank receives donated services on a continuing basis from a variety of volunteers who help the Food Bank fulfill its mission. The value of these services has not been reported in the financial statements, as such value is not easily susceptible to objective measurement.

Lease Agreements

Annual rentals pertaining to leases which merely convey the right to use property are charged to current operations. Lease agreements which are substantially installment purchases of property are recorded as assets and depreciated over their estimated useful lives.

Income Tax Status

The Food Bank is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to Section 509(a) of the Internal Revenue Code. In addition, the Corporation was organized under the Pennsylvania Nonprofit Corporation law and is exempt from state income taxes.

The Food Bank follows the provisions of the accounting standard on accounting for uncertainty in income taxes, and evaluated its tax positions. The standard has no effect on the Food Bank's financial statements.

The Food Bank's federal exempt organization business income tax returns are no longer subject to examination by the appropriate taxing authorities before 2008.

Subsequent Events

The Food Bank has evaluated subsequent events through September 21, 2011, which is the date the financial statements were available to be issued.

3. Fair Value of Financial Instruments

The following valuation techniques were used to measure fair value of assets in the table below on a recurring basis:

Short-term investments - Certificates of Deposits - The carrying amount approximates fair value because of the short-term nature of these investments.

Common Stocks, U. S. Government and Corporate Obligations, and Mutual Funds - Fair value of common stocks, U. S. government and corporate obligations, and mutual funds were based on quoted market prices for identical or similar securities.

The Food Bank has a number of other financial instruments, none of which are held for investment purposes. The Food Bank estimates that the fair value of all financial instruments as of June 30, 2011 and 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy consist of the following as of June 30:

	2011			
Description	**Total**	**Level 1**	**Level 2**	**Level 3**
Short-term:				
Certificates of deposit	$ 831,840	$ 831,840	$ -	$ -
Investments:				
Mutual funds and ETFs:				
S&P small to large cap index funds	1,119,243	1,119,243	-	-
Domestic stock funds:				
Small cap	33,031	33,031	-	-
Mid cap	101,798	101,798	-	-
Large cap	1,196,222	1,196,222	-	-
Fixed income funds	563,334	563,334	-	-
International value, blended, and growth funds	966,732	966,732	-	-
Other funds	271,053	271,053	-	-
Total mutual funds and ETFs	4,251,413	4,251,413	-	-
Common stocks - domestic and international				
Consumer	589,774	589,774	-	-
Energy	264,885	264,885	-	-
Financials	151,097	151,097	-	-
Healthcare	356,711	356,711	-	-
Industrials	344,189	344,189	-	-
Information technology	284,975	284,975	-	-
Materials	99,829	99,829	-	-
Telecommunication	29,410	29,410	-	-
Utilities	142,160	142,160	-	-
Total common stocks - domestic and international	2,263,030	2,263,030	-	-
Fixed income:				
U. S. Government and agencies	775,598	-	775,598	-
Corporate bonds - BBB+ to AAA	1,521,418	-	1,521,418	-
Total fixed income	2,297,016	-	2,297,016	-
Total investments	8,811,459	6,514,443	2,297,016	-
	$ 9,643,299	$ 7,346,283	$ 2,297,016	$ -

Description	2010 Total	2010 Level 1	2010 Level 2	2010 Level 3
Short-term:				
Certificates of deposit	$ 1,041,159	$ 1,041,159	$ -	$ -
Investments:				
Mutual funds and ETFs:				
S&P small to large cap index funds	672,702	672,702	-	-
Domestic stock funds:				
Small cap	84,054	84,054	-	-
Mid cap	142,842	142,842	-	-
Large cap	966,675	966,675	-	-
Multi cap	206,116	206,116	-	-
Fixed income funds	259,142	259,142	-	-
International value, blended, and growth funds	726,768	726,768	-	-
Other funds	156,462	156,462	-	-
Total mutual funds and ETFs	3,214,761	3,214,761	-	-
Common stocks - domestic and international				
Consumer	399,987	399,987	-	-
Energy	187,120	187,120	-	-
Financials	150,238	150,238	-	-
Healthcare	275,084	275,084	-	-
Industrials	257,132	257,132	-	-
Information technology	150,773	150,773	-	-
Materials	74,932	74,932	-	-
Telecommunication	44,118	44,118	-	-
Utilities	113,141	113,141	-	-
Total common stocks - domestic and international	1,652,525	1,652,525	-	-
Fixed income:				
U. S. Government and agencies	1,081,764	-	1,081,764	-
Corporate bonds - BBB+ to AAA	1,211,283	-	1,211,283	-
Total fixed income	2,293,047	-	2,293,047	-
Total investments	7,160,333	4,867,286	2,293,047	-
	$ 8,201,492	$ 5,908,445	$ 2,293,047	$ -

4. Investments

Investment income consists of the following for the years ended June 30:

	2011	2010
Interest and dividends	$ 220,825	$ 186,629
Net realized gain on sale of investments	105,831	348,927
Net unrealized gain on investments	1,323,277	161,919
	$ 1,649,933	$ 697,475

5. Promises to Give

Promises to give consist of the following as of June 30:

	2011	2010
Promises to give	$ 100,000	$ -
Current portion	$ 50,000	$ -
Long-term portion	50,000	-
	$ 100,000	$ -

The due dates of promises to give, assuming no change in current terms, consist of the following as of June 30:

	2011
Receivables in less than one year	$ 50,000
Receivables in one to five years	50,000
Total	$ 100,000

6. Property and Equipment

Major classifications of property and equipment and their respective depreciable lives consist of the following as of June 30:

	2011	2010	Depreciable Lives
Land	$ 196,162	$ 196,162	
Building	3,654,963	3,438,732	40 years
Office furniture and equipment	216,817	216,817	5 - 10 years
Warehouse equipment	483,270	465,419	2 - 10 years
Vehicles	807,739	593,588	5 years
	5,358,951	4,910,718	
Accumulated depreciation	(1,674,548)	(1,409,572)	
	$ 3,684,403	$ 3,501,146	

The Food Bank leases vehicles under the terms of various capital leases disclosed in Note 6 to the financial statements.

Property held under capital leases consists of the following as of June 30:

	2011	2010
Vehicles	$ 511,030	$ 296,878
Office furniture and equipment	121,354	121,354
	632,384	418,232
Accumulated depreciation	(295,461)	(209,537)
	$ 336,923	$ 208,695

Depreciation expense amounted to $264,976 and $214,522 for the years ended June 30, 2011 and 2010, respectively.

7. Capital Leases

Capital leases consist of the following as of June 30:

	2011	2010
Capital lease agreement for office equipment payable in monthly installments of $1,710, including interest at 8.25%; matures June 30, 2012	$ 18,056	$ 34,803
Capital lease agreement for a 2006 International truck payable in variable monthly installments based on the Consumer Price Index, including interest at 8.20%; matures November 1, 2012	23,591	38,668
Capital lease agreement for a 2007 International truck; payable in variable monthly installments based on the Consumer Price Index, including interest at 9.30%; matures November 1, 2012	16,898	27,555
Capital lease agreement for a 2005 International truck; payable in variable monthly installments based on the Consumer Price Index, including interest at 7.95%; matures September 4, 2010	-	3,901
Capital lease agreement for a 2010 International truck; payable in monthly installments of $1,279, including interest at 6.83%; matures February 1, 2016	61,179	71,944
Capital lease agreement for a 2010 phone system; payable in monthly installments of $708, including interest at 5.00%; matures March 23, 2015	28,995	35,853
Capital lease agreement for a 2011 International truck; payable in monthly installments of $1,789, including interest at 6.28%; matures February 1, 2017	99,807	-
Capital lease agreement for a 2011 International truck; payable in monthly installments of $1,789, including interest at 6.28%; matures February 1, 2017	99,807	-
	348,333	212,724
Current portion	(96,132)	(62,429)
	$ 252,201	$ 150,295

Future minimum lease payments under capital leases consist of the following for the five years ending June 30 and thereafter:

2012	$ 116,070
2013	79,479
2014	66,779
2015	64,656
2016	53,168
Thereafter	22,026
	402,178
Amount representing interest	(53,845)
	$ 348,333

Interest expense on capital leases amounted to $24,076 and $14,532 as of June 30, 2011 and 2010, respectively.

8. Bank Line of Credit

The Food Bank has an unsecured working capital line of credit arrangement with M&T Bank at the bank's prime rate (3.25% as of June 30, 2011 and 2010). Under this arrangement, the Food Bank may borrow up to $250,000. Interest is payable monthly and principal is due upon demand. The line of credit had not been accessed during the years ended June 30, 2011 and 2010.

9. Food Donated, Purchased, and Distributed

Food donated, purchased, and distributed inclusive of the Pennsylvania State Food Grant and the United States Department of Agriculture (USDA) program consist of the following for the years ended June 30:

	2011		2010	
	Pounds	Value	Pounds	Value
Donated inventory, beginning	1,566,942	$ 2,319,655	1,113,267	$ 1,788,199
Purchased product inventory, beginning	695,837	382,966	532,161	333,261
Total inventory, beginning	2,262,779	2,702,621	1,645,428	2,121,460
Received:				
Donated food	14,623,808	25,135,331	13,276,447	21,242,315
USDA	3,632,350	1,136,451	1,788,179	1,796,924
Purchased products	2,583,092	1,457,316	1,997,891	1,130,943
	20,839,250	27,729,098	17,062,517	24,170,182
Available for distribution	23,102,029	30,431,719	18,707,945	26,291,642
Less:				
Food distributed to agencies and affiliates	13,692,047	18,678,487	10,742,198	16,317,784
Distributed to other food banks	4,248,433	7,052,399	3,543,320	5,669,312
Spoilage	351,895	584,146	325,433	520,687
Purchased products disbursed	1,955,199	1,148,623	1,834,215	1,081,238
	20,247,574	27,463,655	16,445,166	23,589,021
Donated inventory, ending	1,530,725	2,276,405	1,566,942	2,319,655
Purchased product inventory, ending	1,323,730	691,659	695,837	382,966
	2,854,455	$ 2,968,064	2,262,779	$ 2,702,621

10. Endowment and Reserve Funds

The Food Bank has a Board-Designated Reserve Fund and a Donor-Restricted Endowment Fund for which the income can be used for general operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Food Bank classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) enhancements or diminishments of the fund after amounts deemed income under Pennsylvania law.

The following schedule represents the changes in reserve fund and endowment net assets for the year ended:

	June 30, 2011			
	Board-Designated Reserve Fund	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,643,570	$ -	$ 917,696	$ 5,561,266
Investment return:				
Investment income	88,754	-	22,770	111,524
Realized gain	103,201	-	5,178	108,379
Unrealized gain	852,863	-	164,583	1,017,446
Total investment income	1,044,818	-	192,531	1,237,349
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	(375,000)	-	-	(375,000)
Endowment net assets, end of year	$ 5,313,388	$ -	$ 1,110,227	$ 6,423,615

	June 30, 2010			
	Board-Designated Reserve Fund	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,220,334	$ -	$ -	$ 4,220,334
Investment return:				
Investment income	73,856	-	-	73,856
Realized gain	287,933	-	-	287,933
Unrealized gain (loss)	53,947	-	(41,316)	12,631
Total investment income	415,736	-	(41,316)	374,420
Contributions	7,500	-	959,012	966,512
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	$ 4,643,570	$ -	$ 917,696	$ 5,561,266

Return Objectives and Risk Parameters

The Board of Directors has established an Investment Committee that has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments. The primary asset management objective is to achieve a long-term total return commensurate with prudent risk sufficient to provide a stable rate of inflation-adjusted return while preserving the inflation-adjusted real value of the principal of the fund. The return for this purpose means a return derived from both capital appreciation or earning and distributions with respect to capital, or both.

Strategies Employed for Achieving Objectives

The Investment Committee has established an allocation range of sector and security diversification. The Committee may engage one or more recognized investment managers to advise the Committee on the asset allocation of the fund. The Committee shall periodically review the performance of the investment manager(s) and the asset allocations with the expectation of superior performance over time. The Committee will meet as appropriate to review economic outlook; current investment performance, investment strategy and asset allocation; pending plans for purchase and sale of securities; and the reasons for changes in the portfolio since its last meeting.

Reserve Fund and Endowment Spending Policies and How the Investment Objectives Relate to the Spending Policies

The spending rate from the reserve fund and the endowment shall be no less than two percent (2%), nor more than seven percent (7%), of the three year average of the fiscal year-end market values of the fund assets. The Committee will review the actual spending policies annually. Spending totaled $375,000 in the year ended June 30, 2011 and $-0- in the year ended June 30, 2010.

11. Economic Dependency

The Food Bank is a certified member of Feeding America. One of the primary benefits of this membership is the availability of contributions of food from national companies, which are solicited by Feeding America. Should the Food Bank no longer be affiliated with Feeding America, its access to food contributions would be diminished and the effect on operations and the financial statements would be material.

Locally and regionally, the Food Bank is dependent on food donations from a variety of sources. Most of these sources are located in Central Pennsylvania; however, donors do exist in other states. Donors include farmers, food processors, food retailers, wholesalers, individuals, and government agencies. The Food Bank solicits and maintains ongoing relationships with donors and attempts to obtain sufficient and suitable donations to meet the nutritional needs of the hungry. If food donations decrease significantly, the Food Bank's ability to continue current distribution levels would be impaired. Likewise, the corresponding effects on the financial statements would be significant.

The Food Bank receives a portion of its revenues (directly and indirectly) from governmental sources and, accordingly, is subject to governmental legislative process and change.

12. Operating Leases

The Food Bank currently holds an operating lease with the County of Dauphin, Pennsylvania to rent facilities to operate a food pantry. The lease, which commenced on January 1, 2009, is for a period of twenty-five years ending on December 31, 2033.

The lease agreement contains provisions for an annual rent payment which is subject to future rent increases as defined in the lease agreement. In accordance with generally accepted accounting principles, the Food Bank records annual rent expense equal to the total of the payments due over the lease term, divided by the number of years of the lease term. The difference between rental expense recorded on this straight-line basis, and the amount actually paid, is charged to rent payable. As of June 30, 2011 and 2010, this difference amounted to $23,341 and $14,614, respectively.

Future minimum rental payments under non-cancelable operating leases having remaining terms in excess of one year consist of the following for the five years ending June 30:

2012	36,256
2013	37,158
2014	38,089
2015	39,040
2016	40,022
	$ 190,565

Total rental expense under operating leases charged to operations amounted to $47,086 and $49,116 for the years ended June 30, 2011 and 2010, respectively.

13. Related Party Transactions

Several members of the Board of Directors are involved with entities that transact the following business with the Food Bank:

A Board member is an employee of a financial institution with whom the Food Bank carried a cash and cash equivalent balance of $276,572 and $270,553 as of June 30, 2011 and 2010, respectively.

A Board member was an employee of a financial institution with whom the Food Bank carried a cash and cash equivalent balance of $222,729 and $221,770 as of June 30, 2011 and 2010, respectively.

A Board member is an attorney at a law firm with whom the Food Bank used for legal consulting purposes. Amounts paid to this firm amounted to $7,273 and $594 during the years ended June 30, 2011 and 2010, respectively.

Several other Board members are involved with organizations that donate food to the Food Bank.

The Food Bank's bylaws establish policy for handling potential conflicts of interest.

14. Concentrations of Credit and Market Risk

At times during the years ended June 30, 2011 and 2010, the Food Bank's cash balances may have exceeded the federally insured limits of $250,000. As of June 30, 2011 and 2010, respectively, approximately $3,800,000 and $1,900,000 of cash and cash equivalents are uninsured. However, the uninsured balance as of June 30, 2011 was secured by U. S. Treasury Securities.

The Food Bank also invests in certain equity securities and debt instruments which are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the value of these investments.

15. Retirement Plan

The Food Bank has a 401(k) plan to provide retirement and incidental benefits for its employees. Employees may contribute 0% to 50% of their annual compensation to the plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Food Bank matches 50% of employee pre-tax contributions, up to a maximum of 5% of employee compensation deferral. Matching contributions are 100% vested upon completion of three years of service. In addition, the plan provides for discretionary employer contributions determined by the Board of Directors. Such contributions to the plan are allocated among eligible participants in proportion to their salaries. Retirement plan expenses amounted to $93,134 and $99,544 for the years ended June 30, 2011 and 2010, respectively.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	2011	2010
Promises to give	$ 100,000	$ -

17. Reclassifications

Certain items in the 2010 financial statements have been reclassified to conform to the 2011 financial statement presentation. These reclassifications had no effect on the changes in net assets.

18. Commitments

As of June 30, 2011, the Food Bank has construction contracts relating to the renovations and improvements to current facilities amounting to $209,000. As of June 30, 2011, the Food Bank incurred $152,425 of this total.

19. Subsequent Events

On July 18, 2011, the Food Bank purchased a parcel of land for $150,000, which will be used to construct an addition to the warehouse and expand office areas.

Subsequent to year end, the Food Bank signed a long-term construction contract related to the warehouse addition and office area expansion. The contract amounts to approximately $2,201,650.

ParenteBeard

Independent Auditors' Report on Supplementary Information

Board of Directors
Central Pennsylvania Food Bank

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplementary information on pages 25 and 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

ParenteBeard LLC

Lancaster, Pennsylvania
September 21, 2011

Central Pennsylvania Food Bank

Statement of Functional Expenses
Years Ended June 30, 2011 and 2010
(See Auditors' Report on Supplementary Information)

	2011					
	Program Services					
	Food and Grocery Product Distributions	Operations	Community Programs	Management and General	Development (Fundraising)	Total
Food and grocery product distributions	$ 26,332,861	$ -	$ -	$ -	$ -	$ 26,332,861
Purchased product distributions	1,148,623	-	-	-	-	1,148,623
Gift card distributions	28,949	-	-	-	-	28,949
Salaries	-	1,076,120	296,185	327,748	127,997	1,828,050
Payroll taxes	-	101,266	22,502	25,744	9,764	159,276
Employee benefits	-	209,449	51,266	59,776	17,968	338,459
Staff development	-	4,815	4,578	2,786	2,218	14,397
Building occupancy and utilities	-	240,233	72,575	177	-	312,985
Printing and publications	-	33,380	10,965	234	299,666	344,245
Food purchases	-	-	299,645	-	-	299,645
Depreciation	-	264,976	-	-	-	264,976
Transportation	-	218,212	-	-	-	218,212
Professional fees and services	-	67,034	-	108,413	-	175,447
Postage	-	18,608	2,074	220	87,214	108,116
Office supplies/equipment	-	54,512	26,862	180	1,347	82,901
Meetings and events	-	17,134	10,844	439	34,288	62,705
Public relations and awards	-	19,571	1,614	876	2,010	24,071
Agency assistance	-	-	67,294	-	-	67,294
Miscellaneous	-	12,353	9,358	28,568	612	50,891
Travel	-	16,010	4,750	2,914	1,173	24,847
Dues	-	18,960	249	8,056	1,075	28,340
Insurance	-	29,936	526	3,885	-	34,347
Workers' Compensation Insurance	-	23,812	936	656	295	25,699
Interest	-	-	-	24,076	-	24,076
	$ 27,510,433	$ 2,426,381	$ 882,223	$ 594,748	$ 585,627	$ 31,999,412

Central Pennsylvania Food Bank

Statement of Functional Expenses
Years Ended June 30, 2011 and 2010
(See Auditors' Report on Supplementary Information)

	2010					
	Program Services					
	Food and Grocery Product Distributions	Operations	Community Programs	Management and General	Development (Fundraising)	Total
Food and grocery product distributions	$ 22,523,622	$ -	$ -	$ -	$ -	$ 22,523,622
Purchased product distributions	1,077,859	-	-	-	-	1,077,859
Gift card distributions	51,639	-	-	-	-	51,639
Salaries	-	821,550	242,991	298,337	110,800	1,473,678
Payroll taxes	-	80,989	16,835	20,808	8,272	126,904
Employee benefits	-	178,657	48,622	44,964	17,165	289,408
Staff development	-	763	2,966	1,951	1,721	7,401
Building occupancy and utilities	-	229,029	78,943	170	-	308,142
Printing and publications	-	34,854	2,160	416	264,847	302,277
Food purchases	-	-	263,531	-	-	263,531
Depreciation	-	214,522	-	-	-	214,522
Transportation	-	145,627	-	-	-	145,627
Professional fees and services	-	39,594	1,601	84,255	-	125,450
Postage	-	20,524	1,611	28	78,227	100,390
Office supplies/equipment	-	47,594	15,812	747	959	65,112
Meetings and events	-	13,703	15,237	205	24,695	53,840
Public relations and awards	-	9,938	36,370	1,487	180	47,975
Agency assistance	-	-	35,612	-	-	35,612
Miscellaneous	-	12,036	1,225	20,931	204	34,396
Travel	-	9,653	10,828	3,564	3,172	27,217
Dues	-	21,032	449	3,360	966	25,807
Insurance	-	12,338	298	7,657	-	20,293
Workers' Compensation Insurance	-	16,210	866	568	500	18,144
Interest	-	-	-	14,532	-	14,532
	$ 23,653,120	$ 1,908,613	$ 775,957	$ 503,980	$ 511,708	$ 27,353,378