



FOOD FOR THE POOR, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2012

FOOD FOR THE POOR, INC.

TABLE OF CONTENTS

Financial Statements:

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Mayer Hoffman McCann P.C.

An Independent CPA Firm

1675 N. Military Trail, Fifth Floor

Boca Raton, Florida 33486

561.994.5050 ph

561.241.0071 fx

www.mhm-nc.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Audit Committee

FOOD FOR THE POOR, INC.

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, 2012, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards 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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

The summarized comparative financial statements of Food for the Poor, Inc. as of and for the year ended December 31, 2011, were audited by other auditors whose report dated March 30, 2012 expressed an unmodified opinion on those statements.

As part of our audit of the December 31, 2012 financial statements, we also audited the adjustment described at Note 2 that was applied to restate the 2011 summarized financial statements. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2011 summarized financial statements of the Organization other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the summarized 2011 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 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, 2013

FOOD FOR THE POOR, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2012
(With Comparative Totals as of December 31, 2011)

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 10,287,706	\$ 7,928,348
Promises to give, net	1,094,229	1,209,316
Mortgage notes receivable	170,323	155,675
Other receivable	129,000	-
Goods pending distribution	3,101,068	1,204,568
Prepaid expenses	386,274	182,290
Other assets	122,205	131,578
TOTAL CURRENT ASSETS	<u>15,290,805</u>	<u>10,811,775</u>
PROPERTY, BUILDING AND EQUIPMENT, at cost, less accumulated depreciation	<u>15,744,919</u>	<u>16,334,174</u>
TOTAL ASSETS	<u>\$ 31,035,724</u>	<u>\$ 27,145,949</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,466,638	\$ 5,873,860
Current portion of mortgage payable	724,092	724,092
TOTAL CURRENT LIABILITIES	<u>7,190,730</u>	<u>6,597,952</u>
LONG-TERM DEBT, less current portion above	<u>1,629,198</u>	<u>2,353,287</u>
TOTAL LIABILITIES	<u>8,819,928</u>	<u>8,951,239</u>
NET ASSETS		
Unrestricted:		
Designated for special projects	3,907,536	3,800,785
Undesignated	17,187,979	13,082,631
Total unrestricted	<u>21,095,515</u>	<u>16,883,416</u>
Temporarily restricted	1,120,281	1,311,294
TOTAL NET ASSETS	<u>22,215,796</u>	<u>18,194,710</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,035,724</u>	<u>\$ 27,145,949</u>

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	Totals	
			2012	2011
SUPPORT AND REVENUE				
Contributions:				
Cash	\$ 106,635,020	\$ 11,474	\$ 106,646,494	\$ 97,911,090
Donated goods	791,180,405	-	791,180,405	838,195,584
Promises to give	1,151,183	1,418,470	2,569,653	2,268,669
Investment earnings	32,916	-	32,916	(40,132)
Other income	104,966	-	104,966	126,399
Net assets released from restrictions	1,620,957	(1,620,957)	-	-
TOTAL SUPPORT AND REVENUE	900,725,447	(191,013)	900,534,434	938,461,610
EXPENSES				
Program services:				
Educational programs	5,851,887	-	5,851,887	6,020,868
Goods and aid supplied	853,615,818	-	853,615,818	909,448,541
Total program services	859,467,705	-	859,467,705	915,469,409
Supporting services:				
Fundraising	29,162,483	-	29,162,483	28,047,577
Management and general	7,883,160	-	7,883,160	7,654,175
Total supporting services	37,045,643	-	37,045,643	35,701,752
TOTAL EXPENSES	896,513,348	-	896,513,348	951,171,161
CHANGE IN NET ASSETS	4,212,099	(191,013)	4,021,086	(12,709,551)
NET ASSETS - Beginning, 2011 as previously reported	16,883,416	1,311,294	18,194,710	31,579,415
Prior period adjustment	-	-	-	(675,154)
NET ASSETS - Beginning, as restated	16,883,416	1,311,294	18,194,710	30,904,261
NET ASSETS - Ending	\$ 21,095,515	\$ 1,120,281	\$ 22,215,796	\$ 18,194,710

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Totals</u>	
	<u>Educational Programs</u>	<u>Goods and Aid Supplied</u>	<u>Total</u>	<u>Fundraising Expenses</u>	<u>Management and General Expenses</u>	<u>Total</u>	<u>2012</u>	<u>2011</u>
Food, medical and other commodities	\$ -	\$ 801,536,207	\$ 801,536,207	\$ -	\$ -	\$ -	\$ 801,536,207	\$ 860,650,381
Grants and other assistance	-	27,902,841	27,902,841	-	-	-	27,902,841	26,187,790
Salaries and related expenses	4,241,701	3,752,637	7,994,338	9,071,131	5,073,228	14,144,359	22,138,697	21,544,550
Freight	-	19,594,059	19,594,059	-	-	-	19,594,059	18,164,105
Printed materials and publicity	100,391	14,562	114,953	12,590,304	40,017	12,630,321	12,745,274	13,095,399
Postage	32,898	20,693	53,591	6,228,874	18,422	6,247,296	6,300,887	5,334,321
Travel	1,292,870	284,406	1,577,276	607,274	89,417	696,691	2,273,967	2,204,069
Professional services	4,700	67,779	72,479	177,272	317,711	494,983	567,462	572,635
Depreciation	16,682	116,774	133,456	58,387	405,950	464,337	597,793	611,464
Other office expenses	46,932	48,205	95,137	50,478	579,081	629,559	724,696	731,828
Repairs and maintenance	13,961	88,968	102,929	66,503	99,029	165,532	268,461	286,226
Courier and miscellaneous freight	47,634	47,918	95,552	60,263	11,165	71,428	166,980	168,747
Office supplies	22,952	28,311	51,263	99,352	140,599	239,951	291,214	312,566
Data processing	2,960	10,203	13,163	68,367	179,656	248,023	261,186	264,929
Insurance	-	-	-	2,186	179,046	181,232	181,232	170,036
Telephone	18,007	30,863	48,870	46,397	67,552	113,949	162,819	163,299
Occupancy	7,325	51,273	58,598	25,636	37,844	63,480	122,078	124,178
Interest	2,874	20,119	22,993	10,059	40,898	50,957	73,950	89,864
Total expenses before uncollectible pledges	5,851,887	853,615,818	859,467,705	29,162,483	7,279,615	36,442,098	895,909,803	950,676,387
Uncollectible pledges	-	-	-	-	603,545	603,545	603,545	494,774
Total expenses	\$ 5,851,887	\$ 853,615,818	\$ 859,467,705	\$ 29,162,483	\$ 7,883,160	\$ 37,045,643	\$ 896,513,348	\$ 951,171,161

See Notes to Financial Statements

FOOD FOR THE POOR, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,021,086	\$ (12,709,551)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	597,793	611,464
Donated property included in goods and aid supplied	31,945	-
Loss on disposal of assets	-	92,721
Provision for losses on promises to give	603,545	494,774
Decrease (increase) in operating assets:		
Promises to give	(488,458)	(151,203)
Mortgage notes receivable	(14,648)	61,077
Other receivable	(129,000)	-
Goods pending distribution	(1,896,500)	9,842,120
Prepaid expenses	(203,984)	(6,586)
Other assets	9,373	157,202
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	592,778	977,347
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,123,930	(630,635)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(40,483)	(398,859)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(40,483)	(398,859)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage payable	(724,089)	(724,089)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(724,089)	(724,089)
NET INCREASE (DECREASE) IN CASH	2,359,358	(1,753,583)
CASH, BEGINNING OF YEAR	7,928,348	9,681,931
CASH, END OF YEAR	\$ 10,287,706	\$ 7,928,348
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 73,950	\$ 89,864

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 one director and 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 2012, the Organization provided a grant and other financial support of approximately \$81,000 to support the operations of FFP - Canada.

Food for the Poor Foundation, Inc. (the "Foundation"), was a not-for-profit corporation engaged in the collection of endowment contributions which were raised for the ultimate benefit of the indigent poor throughout the world. The Organization had a controlling and economic interest in the Foundation. During 2012, the Foundation ceased operations and its remaining net assets were transferred to the Organization and recognized as a cash contribution in the accompanying statement of activities.

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, 2012.

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 the U.S. generally accepted accounting standards ("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.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

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

Allocation of joint costs (continued)

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.

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, 2012.

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, 2012, the Organization had \$3,101,068 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 - The Organization accounts for contributions in accordance with GAAP. 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.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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 \$1,122,541 for the year ended December 31, 2012 and are included with printed materials and publicity in the statement of functional expenses.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

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

Use of estimates - The accompanying financial statements have been prepared in conformity with 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 assumptions and estimates. The most significant of these estimates relates to the allocation of joint costs and the allowance for uncollectible promises to give. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

New accounting principle - During October 2012, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2012-05, *Statement of Cash Flows*, which requires a not-for-profit organization to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt, were directed without any organization-imposed limitations, for sale and were converted nearly immediately into cash. The update is effective prospectively for fiscal years beginning after June 15, 2013 with early adoption and retrospective application permitted for fiscal years beginning before October 22, 2012.

The Organization has adopted ASU 2012-05 effective January 1, 2012. The statement of cash flows for the year ended December 31, 2011 has been adjusted to apply the new method retrospectively and results in an increase in cash flows from operations of approximately \$982,000.

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, 2012.

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, 2012, 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 2009.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

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

Comparative data - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011 from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the summarized 2011 financial information presented in these financial statements to conform with the current year presentation. These reclassifications had no effect on the change in net assets presented for the year ended December 31, 2011.

(2) Restatement of financial statements

The Organization restated its financial statements for the year ended December 31, 2011 to reflect accrued vacation leave as of that date. The effect of the correction was to decrease the change in net assets for 2011 by approximately \$5,300. The cumulative effect decreased unrestricted net assets at January 1, 2011 by \$675,154 and increased accrued expenses by the same amount.

(3) 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, 2012, the Organization had cash balances of \$6,528,570 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 66% of total support and revenue from five donors during 2012. These contributions were in the form of donated goods.

(4) Promises to give

At December 31, 2012, unconditional promises to give consist of the following:

Receivable in less than one year	\$ 1,007,888
Receivable in one to five years	713,376
Receivable in more than five years	<u>77,943</u>
Total promises to give	1,799,207
Less: allowance for uncollectible promises to give	(700,000)
Less: discount to present value	<u>(4,978)</u>
Net promises to give	<u>\$ 1,094,229</u>

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Promises to give (continued)

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of .35%.

(5) Mortgage notes receivable

The Organization was gifted ownership of mortgage notes receivable. At December 31, 2012, the balance of the notes receivable totaled \$170,323 with various maturity dates through September 2013.

During a prior year, one of the mortgages entered into foreclosure for non-payment. However, prior to the foreclosure sale, the mortgagor filed for bankruptcy thus staying the sale until further disposition by the court. In an agreement with the mortgagor, the Organization has delayed the foreclosure sale dependent upon the timely receipt of monthly payments. This agreement remained in effect for 2012.

Interest on the mortgage notes receivable is recognized over the term of the notes and is calculated using the simple-interest method on principal amounts outstanding.

(6) Property, building and equipment

At December 31, 2012, property, building and equipment consist of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 6,140,388	-
Land improvements	626,224	20 years
Building	9,871,209	40 years
Furniture and fixtures	692,350	7 years
Equipment	2,614,510	5-10 years
Vehicles	<u>265,434</u>	5 years
	20,210,115	
Less: accumulated depreciation	<u>4,465,196</u>	
Total property, building and equipment, net	<u><u>\$ 15,744,919</u></u>	

Depreciation expense for the year ended December 31, 2012 was \$597,793.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(7) Gift annuities

The Organization entered into several gift annuity agreements, which provided for unrestricted cash of approximately \$102,000 at December 31, 2012 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 4.25%. 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, 2012, the Organization was contingently liable for reinsured gift annuities totaling \$5,490,194.

(8) 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 1.96% at December 31, 2012) and is payable monthly. The Organization may not have outstanding borrowings during the period from January 1, 2013 through February 28, 2013. From March 1, 2013 through August 10, 2013 (the maturity date) the maximum outstanding borrowings permitted under the agreement is \$4 million. There were no direct or contingent liabilities on the line of credit as of December 31, 2012. The line of credit is secured by substantially all assets of the Organization, except for the corporate headquarters and warehouse.

(9) 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 1.68% at December 31, 2012). 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>	
2013	\$ 724,092
2014	724,092
2015	724,092
2016	181,014
	<hr/>
	\$ 2,353,290
	<hr/>

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(10) 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, 2012 was \$3,907,536 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, 2012:

Promises to give	\$ 1,094,229
Goods and aid	<u>26,052</u>
Total temporarily restricted net assets	<u><u>\$ 1,120,281</u></u>

Temporarily restricted net assets were released from restrictions during the year ended December 31, 2012 for the following purposes:

Satisfactions of promises to give	\$ 1,533,557
Goods and aid distributed	<u>87,400</u>
Total net assets released from restrictions	<u><u>\$ 1,620,957</u></u>

(11) 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 operate distribution centers in their base country. The Organization has no ownership or voting interest in these charities. In 2012, the Organization made distributions of \$224,780,334 to these associated charities.

Related charities - The Organization distributes goods through various charities in which some board members hold executive positions. In 2012, the Organization made distributions of \$3,904,689 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 \$228,685,033, of which \$16,826,772 was cash and \$211,858,261 was goods.

FOOD FOR THE POOR, INC.

NOTES TO FINANCIAL STATEMENTS

(12) 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, 2012. 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.

(13) 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 2012, the Organization contributed \$310,147 to this plan all of which is included in the 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.

(14) Allocation of joint costs

For 2012, the Organization had joint costs of \$11,414,363 of which \$6,129,646 was allocated to educational and program activities, \$4,300,734 was allocated to fundraising activities and \$983,983 was allocated to administrative activities.

(15) Subsequent events

Management has evaluated subsequent events through March 27, 2013, 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.