

THE GLOBAL FOODBANKING NETWORK
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2008 and 2007

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
The Global FoodBanking Network
Chicago, Illinois

We have audited the accompanying statements of financial position of The Global FoodBanking Network (GFN) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of GFN'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. 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 The Global FoodBanking Network as of June 30, 2008 and 2007, 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.


Crowe Horwath LLP

Chicago, Illinois
November 12, 2008

THE GLOBAL FOODBANKING NETWORK
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 500,889	\$ 216,444
Cash held by fiscal agent (Note 2)	-	5,499
Grants receivable (Note 3)	50,000	100,000
Other receivable	764	37,939
Other assets	<u>14,224</u>	<u>1,507</u>
Total current assets	565,877	361,389
Grants receivable, net of discount of \$3,025 in 2007	-	61,975
Equipment, net of accumulated depreciation of \$4,168 and \$982 respectively for 2008 and 2007	<u>9,049</u>	<u>4,912</u>
 Total assets	 <u>\$ 574,926</u>	 <u>\$ 428,276</u>
Liabilities		
Accounts payable	\$ 90,741	\$ 35,611
Project grants payable (Note 8)	150,000	-
Other accrued liabilities	<u>25,015</u>	<u>1,862</u>
Total liabilities	265,756	37,473
Net assets (Note 5)		
Unrestricted	(245,126)	27,116
Temporarily restricted	<u>554,296</u>	<u>363,687</u>
Total net assets	<u>309,170</u>	<u>390,803</u>
 Total liabilities and net assets	 <u>\$ 574,926</u>	 <u>\$ 428,276</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENT OF ACTIVITIES
For the year ended June 30, 2008

	Year Ended June 30, 2008		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Public support and revenue			
Public support			
Individual contributions	\$ 174,575	\$ -	\$ 174,575
Corporate and foundation contributions	532,917	1,257,817	1,790,734
Organizations	10,684	15,000	25,684
Net assets released from restriction	1,082,208	(1,082,208)	-
Revenue			
Membership dues	36,000	-	36,000
Donated goods and services	786,210	-	786,210
Other revenue	5,881	-	5,881
Total public support and revenue	<u>2,628,475</u>	<u>190,609</u>	<u>2,819,084</u>
Expenses			
Program services	1,877,790	-	1,877,790
Supporting services			
General and administrative	751,139	-	751,139
Fund development	271,788	-	271,788
Total supporting services	<u>1,022,927</u>	<u>-</u>	<u>1,022,927</u>
Total expenses	<u>2,900,717</u>	<u>-</u>	<u>2,900,717</u>
Increase (decrease) in net assets	(272,242)	190,609	(81,633)
Net assets, beginning of period	<u>27,116</u>	<u>363,687</u>	<u>390,803</u>
Net assets, end of period	<u>\$ (245,126)</u>	<u>\$ 554,296</u>	<u>\$ 309,170</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENT OF ACTIVITIES
For the year ended June 30, 2007

	Year Ended June 30, 2007		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Public support and revenue			
Public support			
Individual contributions	\$ 43,335	\$ -	\$ 43,335
Corporate and foundation contributions	397,867	651,065	1,048,932
Organizations	-	97,410	97,410
Net assets released from restriction	427,088	(427,088)	-
Revenue			
Membership dues	50,000	-	50,000
Donated goods and services	538,236	-	538,236
Total public support and revenue	1,456,526	321,387	1,777,913
Expenses			
Program services	1,351,416	-	1,351,416
Supporting services			
General and administrative	138,333	-	138,333
Fund development	120,480	-	120,480
Total supporting services	258,813	-	258,813
Total expenses	1,610,229	-	1,610,229
Increase (decrease) in net assets	(153,703)	321,387	167,684
Net assets, beginning of period	180,819	42,300	223,119
Net assets, end of period	<u>\$ 27,116</u>	<u>\$ 363,687</u>	<u>\$ 390,803</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
 STATEMENTS OF CASH FLOWS
 For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating activities		
Change in net assets	\$ (81,633)	\$ 167,684
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	3,186	982
Decrease (increase) in grants receivable	111,975	(161,975)
Decrease (increase) other current assets	24,458	(39,446)
Increase (decrease) in accounts payable	55,130	28,563
Increase (decrease) in project grants payable	150,000	-
Increase (decrease) in other accrued liabilities	<u>23,153</u>	<u>1,862</u>
Net cash from operating activities	286,269	(2,330)
 Investing activities		
Net cash from investing activities - purchase of fixed assets	<u>(7,323)</u>	<u>(5,894)</u>
 Net cash increase (decrease)	278,946	(8,224)
 Cash at beginning of period	<u>221,943</u>	<u>230,167</u>
 Cash at end of period	<u><u>\$ 500,889</u></u>	<u><u>\$ 221,943</u></u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2008

	Program Services	Supporting Services			Total Expenses
		General & Administrative	Fund Development	Total	
Salaries	\$ 601,280	\$ 141,819	\$ 154,878	\$ 296,697	\$ 897,977
Payroll taxes	43,580	11,448	7,039	18,487	62,067
Employee benefits	<u>62,292</u>	<u>24,609</u>	<u>14,481</u>	<u>39,090</u>	<u>101,382</u>
Total salaries and related expenses	707,152	177,876	176,398	354,274	1,061,426
Professional services	90,237	46,716	37,387	84,103	174,340
Professional services in-kind	307,102	438,761	-	438,761	745,863
Occupancy	24,971	11,396	6,510	17,906	42,877
Telecommunications	43,343	6,706	10,068	16,774	60,117
Travel	401,301	41,906	25,321	67,227	468,528
Project grants	220,090	-	-	-	220,090
Supplies	9,506	6,711	2,390	9,101	18,607
Postage	2,530	1,086	1,815	2,901	5,431
Equipment	1,505	2,371	550	2,921	4,426
Printing and marketing	44,859	9,263	6,441	15,704	60,563
Staff development	1,435	317	95	412	1,847
Books, dues, and subscriptions	12,135	1,331	922	2,253	14,388
Insurance	5,619	1,995	1,465	3,460	9,079
Miscellaneous	585	394	1,382	1,776	2,361
Fees	<u>3,092</u>	<u>3,774</u>	<u>722</u>	<u>4,496</u>	<u>7,588</u>
Total expenses before depreciation	1,875,462	750,603	271,466	1,022,069	2,897,531
Depreciation	<u>2,328</u>	<u>536</u>	<u>322</u>	<u>858</u>	<u>3,186</u>
Total	<u>\$ 1,877,790</u>	<u>\$ 751,139</u>	<u>\$ 271,788</u>	<u>\$ 1,022,927</u>	<u>\$ 2,900,717</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2007

	Program Services	Supporting Services			Total Expenses
		General & Administrative	Fund Development	Total	
Salaries	\$ 310,786	\$ 43,676	\$ 71,518	\$ 115,194	\$ 425,980
Payroll taxes	27,284	3,985	6,118	10,103	37,387
Employee benefits	<u>43,151</u>	<u>10,746</u>	<u>6,832</u>	<u>17,578</u>	<u>60,729</u>
Total salaries and related expenses	381,221	58,407	84,468	142,875	524,096
Professional services	61,806	17,554	4,690	22,244	84,050
Professional services in-kind	500,389	-	-	-	500,389
Occupancy	29,367	5,566	6,088	11,654	41,021
Telecommunications	23,002	6,191	4,137	10,328	33,330
Travel	170,189	26,209	17,258	43,467	213,656
Project grants	143,900	-	-	-	143,900
Supplies	4,037	14,733	2,116	16,849	20,886
Postage	3,020	1,708	1,290	2,998	6,018
Equipment	-	1,650	-	1,650	1,650
Printing and marketing	31,548	1,012	133	1,145	32,693
Staff development	823	-	-	-	823
Insurance	-	137	-	137	137
Miscellaneous	2,037	1,778	300	2,078	4,115
Fees	<u>77</u>	<u>2,406</u>	<u>-</u>	<u>2,406</u>	<u>2,483</u>
Total expenses before depreciation	1,351,416	137,351	120,480	257,831	1,609,247
Depreciation	<u>-</u>	<u>982</u>	<u>-</u>	<u>982</u>	<u>982</u>
Total	<u>\$ 1,351,416</u>	<u>\$ 138,333</u>	<u>\$ 120,480</u>	<u>\$ 258,813</u>	<u>\$ 1,610,229</u>

See accompanying notes to financial statements.

THE GLOBAL FOODBANKING NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Global Foodbanking Network (GFN) is an Illinois not for profit corporation which was incorporated on January 4, 2006. GFN's members include the national food bank networks in Argentina, Canada, Columbia, Guatemala, Mexico, Japan, the United Kingdom and the United States. GFN seeks to alleviate world hunger by supporting food banks and food bank networks where they exist and working to create food banks and networks where they are needed and are likely to be sustainable. To accomplish this mission, GFN seeks to enhance the involvement of the global grocery products industry and philanthropic organizations and individuals interested in global hunger concerns, provides technical assistance to organizations or agencies in both member and non-member countries, and engages in nonpartisan research the results of which are or will be made available both to its members and the interested public.

Basis of Presentation: The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. GFN reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon the existence or absence of donor imposed restrictions as follows:

- **Unrestricted Net Assets:** Unrestricted net assets are available to support GFN's operations and are not subject to donor-imposed restrictions. Donor-restricted contributions are reported as unrestricted support during the period in which specified conditions are met and restrictions are relieved.
- **Temporarily Restricted Net Assets:** Temporarily restricted net assets represent contributions received that are intended to be used for purpose as specified by the donor. Assets are released from temporary restrictions by incurring expenses satisfying the purpose specified by the donors.
- **Permanently Restricted Net Assets:** Permanently restricted net assets represent contributions that are subject to donor-imposed restrictions that are to be maintained permanently by GFN. There were no permanently restricted net assets nor activity as of June 30, 2008 and 2007.

Donated Services: A number of organizations have made in-kind donations or volunteered their services to GFN. Donated goods and services requiring specific expertise have been reflected in the financial statements at their approximate fair value.

Recognition of Revenue and Public Support: Contributions received with donor-imposed restrictions that are met in the same year as the gifts are received are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets with donor-imposed use restrictions are reported as revenue of the temporarily restricted net asset class. Restrictions on such cash or other assets are considered to be released in accordance with the use restrictions. Membership revenue is recognized in the period in which the membership fees are earned.

(Continued)

THE GLOBAL FOODBANKING NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Cash: Cash consists of immediate available funds (checking and money market accounts). As of June 30, 2008 and 2007, GFN had \$433,693 and \$116,444, respectively, in excess of insurable limit at its financial institution. On October 3, 2008, FDIC deposit insurance was temporarily increased from \$100,000 to \$250,000.

Furniture and Equipment: Equipment over \$1,000 is capitalized and stated on the basis of cost at 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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: GFN is a private operating foundation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. On May 31, 2007, GFN notified the IRS of the organization's intent to terminate Private Operating Foundation status and begin operating as a 501(c)(3) Public Charity effective July 1, 2007. On September 27, 2007, GFN received a letter from the IRS acknowledging their Notice of Intent to Terminate Private Foundation Status and informed GFN that they would be treated as a 501(c)(3) Public Charity for the 60-month period beginning July 1, 2007. At the end of the 60-month Advance Ruling Period, GFN will have to prove that they have met the requirements of Public Charity status.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets.

NOTE 2 - CASH HELD BY FISCAL AGENT

On November 21, 2006, GFN entered into an agreement with Feeding America (formerly America's Second Harvest) where GFN had requested that Feeding America act as its fiscal agent until GFN received its determination letter from the U.S. Internal Revenue Service. Under this agreement, Feeding America agreed to receive and hold funds on behalf of GFN from GFN's donors.

Feeding America released GFN donor funds to GFN upon a written request from GFN. As of June 30, 2008 and 2007, \$0 and \$5,499 respectively was held by Feeding America representing funds Feeding America received from GFN's donors.

(Continued)

THE GLOBAL FOODBANKING NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 3 - GRANTS RECEIVABLE

GFN recognizes grants receivable at fair value in the period the promise is made. Grants receivable of \$50,000 at June 30, 2008, are scheduled to be received in less than one year.

NOTE 4 - LEASES

At June 30, 2008, GFN was committed under a non-cancelable operating lease for certain office space that expires on May 31, 2009. Total rent expense was \$2,530 and \$ 3,075 for 2008 and 2007, respectively. The lease has future minimum lease payments of \$2,420 for fiscal year 2009.

On July 1, 2008, GFN signed a non-cancelable operating lease for an apartment in South Africa that expires on June 30, 2009. The apartment will be used in lieu of paying for a hotel room. The lease has future minimum lease payments of approximately 143,880 Rand or approximately \$18,000 for fiscal year 2009. The exchange rate on June 30, 2008 of 7.851: 1 was used to convert the Rand to U.S. Dollars.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

All of the temporarily restricted net assets are restricted for the purpose of working to create food banks and networks where they are needed and are likely to be sustainable. Temporarily restricted net assets consisted of the following at June 30:

<u>Funding Source</u>	<u>2008</u>	<u>2007</u>
Cargill Incorporated Corporate Giving Program	\$ 50,000	\$ 97,674
The DLA Piper Foundation	20,550	25,000
Feeding America	-	19,482
Genco / Shear	-	10,000
John and Editha Kapoor Charitable Foundation	74,405	-
Kellogg's Corporate Citizenship Fund	-	59,595
Kraft Foods	17,544	17,544
MAZON: A Jewish Response to Hunger	30,000	29,302
Proctor and Gamble	317,004	55,000
Share our Strength	<u>44,793</u>	<u>50,090</u>
	<u>\$ 554,296</u>	<u>\$ 363,687</u>

(Continued)

THE GLOBAL FOODBANKING NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Program restrictions accomplished:		
Program services	\$ <u>1,082,208</u>	\$ <u>427,088</u>

GFN will, during the fiscal year ending June 30, 2009, restore to temporarily restricted funds, with the intent of fulfilling the applicable grants, the amount of approximately \$103,000 that was used by GFN for general operating expenses during, and had not been restored by the end of, the fiscal year ended June 30, 2008.

NOTE 6 - RELATED PARTY TRANSACTIONS

For the years ended June 30, 2008 and June 30, 2007, GFN recorded approximately \$289,420 and \$401,000, respectively, in cash and pledge contributions from companies or organizations that have representatives who are members of GFN's Board of Directors. For the years ended June 30, 2008 and June 30, 2007, GFN recorded approximately \$30,000 and \$37,500, respectively, in member dues from an organization that has a representative who is a member of GFN's Board of Directors. For the years ended June 30, 2008 and June 30, 2007, GFN recorded in-kind contributions for professional services of \$735,684 and \$500,389 and office rent of \$40,347 and \$37,887, respectively, from companies or organizations that have representatives who are members of GFN's Board of Directors.

As of June 30, 2008 and 2007, GFN had \$0 and \$55,000 respectively of grants receivable from companies and organizations that have representatives who are members of GFN's Board of Directors.

NOTE 7 - IN KIND SERVICES

For the years ended June 30, 2008 and June 30, 2007, GFN recorded in-kind contributions for professional services of \$10,179 and \$0, respectively from non-related parties.

(Continued)

THE GLOBAL FOODBANKING NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 8 - PROJECT GRANTS

GFN regularly seeks financial support for its members and for food bank development projects in non-member countries for specific projects/initiatives. Some funds are granted to GFN specifically for these proposed projects/initiatives; these funds are then granted to the Member(s) (or sponsors of the projects in non-Member countries) and use of the funds is monitored by GFN to ensure compliance with the donor's intent. Also, under certain circumstances, GFN may provide a grant to a Member (or sponsor of a project in a non-Member country) from its general operating funds for a particular project/initiative. In such cases, similar oversight is provided by GFN to ensure appropriate use of the grant. As of June 30, 2008 and 2007, GFN had \$150,000 and \$0, respectively, of project grants payable.

NOTE 9 - NEW ACCOUNTING STANDARDS

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with Statement on Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 is effective for financial statements issued for fiscal years beginning after December 15, 2007.

In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). This standard clarifies the definition of fair value for reporting, establishes a framework for measuring fair value and greatly expands disclosures about the use of fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Additional disclosures will be required regarding the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of activities for a fiscal period.

In August 2008, FASB issued Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (FSP 117-1). This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Additional disclosures about endowments for both donor-restricted funds and board-designated funds for all organizations, including those that are not yet subject to an enacted version of UPMIFA, are required to enable users to understand its endowment funds' net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy(ies). FSP 117-1 is effective for all fiscal years ending after December 15, 2008.

(Continued)

THE GLOBAL FOODBANKING NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 9 - NEW ACCOUNTING STANDARDS (Continued)

Management intends to adopt the provisions of FIN 48, SFAS 157 and FSP 117-1 for the year ended June 30, 2009. The overall financial statement impact of adoption of these pronouncements has not been determined by the Organization.