

OUR DAILY BREAD, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

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(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10

Bernard M. Gordon, CPA, PLC

Certified Public Accountant and Consultant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Our Daily Bread, Inc.

I have audited the accompanying financial statements of Our Daily Bread, Inc. (a not-for-profit corporation), 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Our Daily Bread, 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 accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Our Daily Bread, Inc.'s 2011 financial statements, and my report dated June 28, 2012 expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bernard M. Gordon, CPA, PLC

July 1, 2013

OUR DAILY BREAD, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION AT DECEMBER 31, 2011)

ASSETS	2012	2011
Cash	\$ 336,224	\$ 311,675
Non-government grants receivable	25,000	5,000
Receivable for costs recoverable under government grant	25,000	25,000
Contributions receivable	9,327	5,314
Gift cards	9,850	-
Food inventory	16,096	19,017
Prepaid expenses	1,625	-
Furniture and equipment, net	25,340	27,330
Intangible assets, net	16,667	14,236
TOTAL ASSETS	\$ 465,129	\$ 407,572

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 9,411	\$ 35,362
Accrued payroll and payroll taxes	11,337	10,127
TOTAL LIABILITIES	20,748	45,489
NET ASSETS		
Unrestricted	404,381	356,083
Temporarily restricted	40,000	6,000
TOTAL NET ASSETS	444,381	362,083
TOTAL LIABILITIES AND NET ASSETS	\$ 465,129	\$ 407,572

See notes to financial statements.

OUR DAILY BREAD, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

	Un- <u>restricted</u>	Temporarily <u>Restricted</u>	2012 <u>Total</u>	2011 <u>Total</u>
REVENUE AND OTHER SUPPORT				
Donated goods, services, and facilities use	\$ 409,138	\$ -	\$ 409,138	\$ 313,157
Contributions	351,288	-	351,288	269,412
Government grants	175,000	-	175,000	125,000
Non-government grants	11,500	40,000	51,500	73,480
Special events	50,561	-	50,561	54,111
Less: Costs of direct benefits to donors	(16,833)	-	(16,833)	(25,030)
Interest	622	-	622	1,189
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>6,000</u>	<u>(6,000)</u>	<u>0</u>	<u>0</u>
TOTAL REVENUE AND OTHER SUPPORT	987,276	34,000	1,021,276	811,319
EXPENSES				
Program services				
Seasonal Programs	296,586	-	296,586	197,091
Food Bridge Program	265,913	-	265,913	240,284
Financial Literacy	80,777	-	80,777	64,716
Financial Assistance	77,062	-	77,062	61,587
Community Education	76,955	-	76,955	113,745
Project Bridge	<u>8,109</u>	<u>-</u>	<u>8,109</u>	<u>-</u>
	805,402	-	805,402	677,423
Fundraising	82,955	-	82,955	44,376
General and administrative	<u>50,621</u>	<u>-</u>	<u>50,621</u>	<u>41,903</u>
TOTAL EXPENSES	938,978	-	938,978	763,702
CHANGE IN NET ASSETS	48,298	34,000	82,298	47,617
NET ASSETS AT BEGINNING OF YEAR	<u>356,083</u>	<u>6,000</u>	<u>362,083</u>	<u>314,466</u>
NET ASSETS AT END OF YEAR	<u>\$ 404,381</u>	<u>\$ 40,000</u>	<u>\$ 444,381</u>	<u>\$ 362,083</u>

See notes to financial statements.

OUR DAILY BREAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

	Seasonal Programs	Food Bridge Program	Financial Literacy	Financial Assistance	Community Education	Project Bridge	Total Program Services	Fund-raising	General and Administrative	2012 Grand Total	2011 Grand Total
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 247
Audit and accounting fees	-	-	-	-	-	-	-	-	9,700	9,700	9,500
Bank and transaction fees	-	-	-	-	-	-	-	-	4,095	4,095	2,863
Conferences and meetings	-	78	75	-	488	-	641	25	310	976	670
Depreciation and amortization	-	-	-	-	-	-	-	-	15,989	15,989	11,815
Dues and subscriptions	48	62	-	-	1,215	-	1,325	89	749	2,163	1,666
Financial assistance grants	-	-	750	55,597	-	-	56,347	-	-	56,347	43,483
Information technology	-	-	70	-	17	-	87	-	3,295	3,382	3,252
Insurance	-	-	-	-	-	-	-	-	3,671	3,671	4,388
In-kind donations	151,623	166,317	-	-	8,176	819	326,935	24,222	51,051	402,208	305,393
Maintenance and repairs	-	-	-	-	-	-	-	-	595	595	-
Moving	-	-	-	-	-	-	-	-	460	460	11,995
Office supplies	562	357	86	-	556	-	1,561	80	3,040	4,681	3,727
Payroll processing fees	-	-	-	-	-	-	-	-	3,509	3,509	3,412
Postage and shipping	1,035	319	143	-	1,089	-	2,586	1,307	1,644	5,537	3,098
Printing and copying	428	150	150	-	2,997	-	3,725	6,539	4,416	14,680	6,603
Program support											
Gift card purchases	68,650	40,625	-	-	-	-	109,275	-	-	109,275	18,955
Our Daily Veggie vouchers	-	3,900	-	-	-	-	3,900	-	-	3,900	3,530
Goods and supplies	18,046	-	1,726	-	234	-	20,006	-	-	20,006	79,948
Property taxes and licenses	-	-	-	-	-	-	-	-	902	902	819
Refreshments	57	-	54	96	-	-	207	-	169	376	790
Rent and copier lease	-	-	-	-	-	-	-	-	2,039	2,039	2,172
Salary and payroll taxes	33,227	32,064	45,415	12,614	36,695	4,314	164,329	29,875	73,288	267,492	239,717
Staff training and seminars	-	139	500	139	100	-	878	294	670	1,842	758
Telephone	17	-	785	-	-	-	802	-	3,104	3,906	3,856
Travel	196	-	-	-	322	30	548	117	46	711	644
Volunteer recognition	-	-	-	-	-	-	-	-	536	536	401
	<u>273,889</u>	<u>244,011</u>	<u>49,754</u>	<u>68,446</u>	<u>51,889</u>	<u>5,163</u>	<u>693,152</u>	<u>62,548</u>	<u>183,278</u>	<u>938,978</u>	<u>763,702</u>
Allocation of indirect expenses	22,697	21,902	31,023	8,616	25,066	2,946	112,250	20,407	(132,657)	0	0
Total expenses	<u>\$ 296,586</u>	<u>\$ 265,913</u>	<u>\$ 80,777</u>	<u>\$ 77,062</u>	<u>\$ 76,955</u>	<u>\$ 8,109</u>	<u>\$ 805,402</u>	<u>\$ 82,955</u>	<u>\$ 50,621</u>	<u>\$ 938,978</u>	<u>\$ 763,702</u>

See notes to financial statements.

OUR DAILY BREAD, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 82,298	\$ 47,617
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,989	11,815
(Increase) decrease in operating assets		
Non-government grants receivable	(20,000)	(5,000)
Contributions receivable	(4,013)	17,880
Gift cards	(9,850)	-
Other receivables	-	2,600
Food inventory	2,921	(7,764)
Prepaid expenses	(1,625)	582
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(25,951)	10,553
Accrued payroll and payroll taxes	1,210	(595)
Due to grantor	-	(21,740)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>40,979</u>	<u>55,948</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(3,930)	(25,623)
Purchase of intangible assets	(12,500)	(12,500)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>(16,430)</u>	<u>(38,123)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,549	17,825
CASH AND CASH EQUIVALENTS - BEGINNING	<u>311,675</u>	<u>293,850</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 336,224</u>	<u>\$ 311,675</u>

See notes to financial statements.

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

1. NATURE OF ACTIVITIES

Our Daily Bread, Inc. ("ODB") works with government agencies and other charitable organizations to provide services to and advocacy for the working poor and other needy people of Fairfax County, Virginia. ODB began in 1984 and incorporated in Virginia in 1989. ODB operates the following programs with the help of volunteers:

Seasonal Programs

ODB works with Fairfax County government agencies, community based organizations, faith communities, area businesses, individual families, and other volunteers to provide school supplies and holiday meal, gift baskets, and food store gift cards to clients referred by governmental agencies, faith communities, and not-for-profit organizations.

Food Bridge Program

The organization coordinates a weekly food program by finding and matching a group of volunteers to a list of clients referred by government agencies. The volunteers typically pay for groceries and deliver them directly to the clients. ODB also provides food store gift cards to clients. In addition, ODB maintains a food pantry in order to make emergency deliveries to families with urgent needs.

Financial Literacy

ODB educates clients in basic household budgeting and understanding credit through three programs: one-on-one counseling is provided through the Financial Mentoring Program and Financial Counseling Clinics, and small group instruction is provided through budgeting classes. ODB staff train and supervise volunteers who provide mentoring and classroom instruction.

Financial Assistance

ODB enlists and coordinates volunteers to evaluate requests from referring government agencies for emergency financial assistance grants. These grants are generally one-time emergency situations. ODB provides financial assistance grants to pay rent, utilities, medical and other emergency expenses, including auto repair.

Community Education

ODB provides information about its activities to the community and referring agents and fosters relationships with donors through several mediums, including the organization's website, print materials, display boards, and newsletters.

Project Bridge

For selected clients, ODB draws upon the resources of all of its programs and the community to develop a comprehensive plan for each client and provide services tailored to each client's specific needs.

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

ODB presents its financial statements in accordance with United States generally accepted accounting principles for not-for-profit organizations. ODB is required to report 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.

Government grants

Government grants are cost reimbursable grants. They are considered exchange transactions and are recognized as unrestricted revenue to the extent of allowable direct and indirect costs incurred.

Non-government grants and contributions

Non-government grants and contributions are recognized as revenue in the period received or unconditionally promised, if earlier. They are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. Grants and contributions restricted by the donor are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents

ODB considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Food inventory

Inventory consists of (a) donated food, which is recorded at fair value as of the donation date, and (b) purchased food, which is recorded at cost. Inventory is stated in the Statement of Financial Position at the lower of cost or realizable value using the first in, first out (FIFO) method.

Furniture and equipment

Purchased furniture and equipment is capitalized at cost. Donated furniture and equipment is capitalized at estimated fair value and revenue is recorded. Furniture and equipment is depreciated using the straight-line method over the estimated useful lives of three to seven years.

Intangible assets

Intangible assets consist of a website and database software, which are capitalized at cost. Intangible assets are amortized using the straight-line method over the estimated useful lives of two to three years.

Income taxes

ODB is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

Restrictions met in year contribution received

ODB reports all temporarily restricted contributions whose restrictions are met in the same year as unrestricted contributions.

Concentration of credit risk

ODB maintains cash balances at a bank and a credit union. The cash balances are insured by the FDIC and the National Credit Union Administration up to \$250,000. At December 31, 2012, all of ODB's cash balances are insured.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Subsequent events

Management has evaluated subsequent events through July 1, 2013 the date the financial statements were available to be issued.

3. INFORMATION FOR 2011

The 2011 summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived. However, such information does not constitute a presentation in conformity with generally accepted accounting principles because it is presented in total, and not by net asset class or functional expense category. Accordingly, such information should be read in conjunction with Our Daily Bread, Inc.'s financial statements for the year ended December 31, 2011, from which the summarized information is derived.

4. FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

	<u>2012</u>	<u>2011</u>
Furniture and office equipment	\$ 50,297	\$ 46,367
Less: accumulated depreciation	(24,957)	(19,037)
	<u>\$ 25,340</u>	<u>\$ 27,330</u>

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	<u>2012</u>	<u>2011</u>
Website and database software	\$ 35,000	\$ 22,500
Less: accumulated amortization	(18,333)	(8,264)
	<u>\$ 16,667</u>	<u>\$ 14,236</u>

OUR DAILY BREAD, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012
(WITH SUMMARIZED INFORMATION FOR YEAR ENDED DECEMBER 31, 2011)

6. DONATED GOODS, SERVICES, AND FACILITIES

ODB recognized revenue in the Statement of Activities for the fair value of the following donated goods, services, and facilities use:

	<u>2012</u>	<u>2011</u>
Holiday food, gifts, and gift cards	\$ 127,150	\$ 61,473
Food	126,098	139,875
Gift cards	51,272	2,690
Facilities use	51,079	56,893
Auction items, supplies and other	32,999	38,241
Services	<u>20,540</u>	<u>13,985</u>
	<u>\$ 409,138</u>	<u>\$ 313,157</u>

In addition, ODB received approximately 8,700 and 8,300 hours in 2012 and 2011, respectively of donated services from unpaid volunteers who assist the organization in a variety of tasks. The value of these services is estimated at \$213,000 and \$178,000 for 2012 and 2011, respectively. No revenue has been recognized for these services in the Statement of Activities because they do not meet the criteria for recognition under generally accepted accounting principles.

7. OPERATING LEASES

ODB leases its office space at no cost under a License Agreement with the County of Fairfax. The term of the lease runs concurrent with a grant agreement with the County of Fairfax and is automatically renewed at any time the grant is renewed. The License Agreement expires June 30, 2014.

Space for one food pantry is leased under a separate License Agreement with the County of Fairfax that expires June 30, 2014. Space for the other food pantries, fall food drive, and the holiday program are leased on a month to month basis.

In June 2011 ODB signed a lease for a copier, whereby ODB is obligated to pay \$149 per month over the 60 month term of the lease.

Rent and copier lease expense is \$53,118 (of which \$51,079 is donated) for 2012 and \$59,065 (of which \$56,893 is donated) for 2011.

8. REVENUE CONCENTRATION

During 2012 and 2011, 20% of total revenue was derived from County of Fairfax, Virginia grants and donated facilities use.

9. EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs, general and administrative, and fundraising.