

Food Bank Coalition of SLO County

Financial Statements

Year Ended December 31, 2010

**Food Bank Coalition of SLO County
Financial Statements
Year Ended December 31, 2010**

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Principals:

David W. Phillips, CPA
David A. Bryson, CPA
Jeanne A. Potter, CPA
Daniel J. O'Hare, CPA
Kathi Niffenegger, CPA
Fred W. Bogart, CPA
Allen E. Eschenbach, CPA
Michael T. Glaudel, CPA
R. Lance Cowart, CPA
David J. Merlo, CPA



CERTIFIED PUBLIC ACCOUNTANTS
TAX AND BUSINESS ADVISORS

Emeritus:

Fred L. Glenn
Stephen A. Burdette
Bradford M. Hair, CPA

Keith V. Lapp (1932-2008)

Independent Auditors' Report

Board of Directors

Food Bank Coalition of SLO County
Paso Robles, California

We have audited the accompanying statement of financial position of Food Bank Coalition of SLO County (a non-profit organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

As explained in Note 2 to the financial statements, inventories are not valued at the lower of cost or market in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that inventories be recorded at the lower of cost or market. It was not practicable to determine the effects of the valuation of inventory on the financial statements.

In our opinion, except for the effects of inventory valuation as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Food Bank Coalition of SLO County as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors

Food Bank Coalition of SLO County

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In accordance with *Government Auditing Standards*, we have also issued a report dated August 4, 2011, on our consideration of Food Bank Coalition of SLO County's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audit.



Glenn Burdette
Certified Public Accountants
San Luis Obispo, California

August 4, 2011

Food Bank Coalition of SLO County
Statement of Financial Position
December 31, 2010

Assets

Current assets:

Cash and cash equivalents	\$	394,865
Grants and accounts receivable		20,694
Inventories		819,706
Prepaid expenses		6,705
Total current assets		1,241,970

Property and equipment, net of accumulated depreciation		927,094
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Investments		21,205
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Total assets		\$ 2,190,269
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	44,612
Accrued compensation		29,658
Accrued liabilities		28,101
Current portion of capital lease obligation		1,245
Current portion of notes payable		17,897
Total current liabilities		121,513

Long-term liabilities:

Capital lease obligation, net of current portion		3,843
Notes payable, net of current portion		770,756
Total long-term liabilities		774,599

Total liabilities		896,112
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Net assets:

Unrestricted		1,048,966
Temporarily restricted		245,191
Total net assets		1,294,157

Total liabilities and net assets		\$ 2,190,269
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The accompanying notes are an integral part of this financial statement.

Food Bank Coalition of SLO County
Statement of Activities
Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
TEFAP-USDA	\$ 93,473	\$	\$ 93,473
CAFB/CNN FSP reimbursement	9,089		9,089
EFSP	12,159		12,159
Other grants (federal)	17,313		17,313
Donated food	7,656,575		7,656,575
Donated commodities	567,461		567,461
Summer Food Service Program	5,400		5,400
ECF Subsidized Employment	11,943		11,943
California tax check off funds	7,318		7,318
Shared maintenance sales	88,085		88,085
Private purchase	261,726		261,726
Grants (state, county, city, private)	203,902	84,872	288,774
Donations	677,102	72,834	749,936
Fundraising events	120,485	22,250	142,735
Interest	2,207	123	2,330
Miscellaneous income	3,381		3,381
Total revenues and other support	<u>9,737,619</u>	<u>180,079</u>	<u>9,917,698</u>
Net assets released from restrictions	<u>120,799</u>	<u>(120,799)</u>	<u>-</u>
Expenses:			
Program Services:			
Cost of sales (shared maintenance and private purchase goods)	419,357		419,357
Donated food distributed	7,577,681		7,577,681
Commodities distributed	563,138		563,138
Other program services	866,102		866,102
Supporting Services:			
General and administration	151,726		151,726
Fund-raising	336,424		336,424
Total expenses	<u>9,914,428</u>		<u>9,914,428</u>
Change in net assets	(56,010)	59,280	3,270
Net assets - beginning of year	<u>1,104,976</u>	<u>185,911</u>	<u>1,290,887</u>
Net assets - end of year	<u>\$ 1,048,966</u>	<u>\$ 245,191</u>	<u>\$ 1,294,157</u>

The accompanying notes are an integral part of this financial statement.

Food Bank Coalition of SLO County
Statement of Functional Expenses
Year Ended December 31, 2010

	Program Services	Supporting Services		Total
		General and Administration	Fund- Raising	
Accounting services	\$ 11,126	\$ 10,222	\$ 10,221	\$ 31,569
Bad debt expense		538		538
Bank fees		420	3,779	4,199
Backpack program expenses	21,584			21,584
Board of directors expenses		388		388
Commodities distributed	563,138			563,138
Community relations	4,704			4,704
Computer expenses and software	2,933	2,933	2,932	8,798
Contract Labor	8,907	198	20,905	30,010
Cost of sales (shared maintenance and private purchase goods)	419,357			419,357
Depreciation	72,868	14,574		87,442
Donated food distributed	7,577,681			7,577,681
Dues and subscriptions	7,650	96	2,654	10,400
Equipment and machinery maintenance	10,422			10,422
Food drive costs	15,465			15,465
Food procurement fees	15,986			15,986
Fund-raising campaign expenses			62,343	62,343
Fund-raising event expenses			48,356	48,356
Government fees and taxes		625		625
Grants and shared fund-raising event proceeds	26,105			26,105
Insurance	13,520	6,601	6,600	26,721
Interest and finance charges	16,819	5,606	5,606	28,031
Printing	144		182	326
Rent	36,000			36,000
Salaries and wages and related expenses	504,942	66,993	130,315	702,250
Supplies and postage	1,535	3,187	3,188	7,910
Telephone	3,565	5,705	5,705	14,975
Travel and meeting expenses		1,988	1,988	3,976
Utilities	14,498	1,812	1,812	18,122
Vehicle expenses	47,821	22,326	22,326	92,473
Volunteer program	1,631	545	543	2,719
Warehouse operations expenses	27,877	6,969	6,969	41,815
	<u>\$ 9,426,278</u>	<u>\$ 151,726</u>	<u>\$ 336,424</u>	<u>\$ 9,914,428</u>

The accompanying notes are an integral part of this financial statement.

Food Bank Coalition of SLO County
Statement of Cash Flows
Year Ended December 31, 2010

Cash flows from operating activities:	
Net income	\$ 3,270
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation and amortization expense	87,442
Changes in operating assets and liabilities:	
Grants and accounts receivable	14,783
Inventories	(83,217)
Prepaid expenses	(6,575)
Other assets	(16,135)
Accounts payable	36,135
Accrued compensation	2,393
Accrued liabilities	1,866
Net cash provided by operating activities	<u>39,962</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(94,214)</u>
Net cash used in investing activities	<u>(94,214)</u>
Cash flows from financing activities:	
Principal payments on capital lease obligation	(983)
Proceeds from notes payable borrowing	80,835
Principal payments on notes payable	<u>(54,658)</u>
Net cash provided by financing activities	<u>25,194</u>
Net decrease in cash	(29,058)
Cash - beginning of year	<u>423,923</u>
Cash - end of year	<u>\$ 394,865</u>
Supplemental disclosures of cash flow information:	
Interest paid during the period	\$ 28,031

The accompanying notes are an integral part of this financial statement.

Food Bank Coalition of SLO County
Notes to Financial Statements
December 31, 2010

Note 1: Nature of Business

The Food Bank Coalition of SLO County (the Organization) is a nonprofit organization incorporated for charitable purposes as permitted under section 501(c)(3) of the Internal Revenue Code. The Organization's purpose is to acquire and provide surplus and salvageable food and commodities to qualified social service agencies and community groups serving the low income and unemployed in San Luis Obispo County.

Note 2: Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, except for inventory, which the Organization values at a fixed estimated value per pound for donated and purchased inventory and at the estimated value of individual types of donated commodities for USDA commodities.

In accordance with the Not-For-Profit Entities Balance Sheet Presentation Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Organization is required to classify its financial position and activities for accounting and reporting purposes into three classes of net assets according to externally (donor) imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has only unrestricted and temporarily restricted net assets.

Under Not-For-Profit Entities Other Presentation Matters Topic is FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. For the year ended December 31, 2010, the Organization received only unrestricted and temporarily restricted contributions. As the Organization incurs expenses that meet the restricted purposes, net assets are released from restriction. Restrictions that are met in the same year as the temporarily restricted contributions are treated as unrestricted on the accompanying statement of activities.

Income Taxes

The Organization is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. No liability for income taxes has been recorded since the amount is not expected to be significant. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by IRS as an organization that is not a private foundation. The Organization is also exempt from state income taxes.

Food Bank Coalition of SLO County

Notes to Financial Statements

December 31, 2010

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Note 2: Summary of Significant Accounting Policies (Continued)

Income Taxes Topic of FASB Accounting Standards Codification requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of December 31, 2010, the Organization did not maintain any tax positions that did not meet the "more likely than not" threshold. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after December 31, 2007, and by the California Franchise Tax Board for fiscal years ending on or after December 31, 2006. As noted above, the Organization does not currently pay income taxes.

Cash and Cash Equivalents

The Organization considers all demand deposits with banks, money market accounts and certificates of deposit with an original maturity of 90 days or less to be cash equivalents.

Allowance for Doubtful Accounts

It is the policy of management to review the outstanding accounts receivable at year-end, as well as historical bad debt write-offs and aging analysis, and establish an allowance for doubtful accounts for estimated uncollectible amounts. At December 31, 2010, management believed that no allowance for doubtful accounts was necessary.

Inventories

Inventories consisted of purchased and donated food and government commodities. Donated and purchased food was recorded in inventory at \$1.69 per pound, the value established by Feeding America, the nation's largest charitable hunger-relief organization, in which the Organization is an affiliate. Cost of donated food were recorded based on pounds distributed at the annually established price per pound.

Government commodities were recorded at the price established for each item by the USDA at December 31, 2010. The cost of government commodities were recorded based upon pounds distributed at the USDA established prices.

Property and Equipment

Property and equipment are shown at cost or fair value on the date of acquisition or contribution. The Organization's policy is to capitalize fixed assets with a value of \$5,000 or more. Depreciation is recorded over their estimated useful lives using the straight-line depreciation method over five to ten years, except for the building that is depreciated over 31.5 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the balance sheet and the resulting gain or loss is reflected in the statement of income in the period realized. Maintenance and repairs are charged to operations as incurred.

Food Bank Coalition of SLO County

Notes to Financial Statements

December 31, 2010

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Note 2: Summary of Significant Accounting Policies (Continued)

Investments

The Organization initially records marketable securities at acquisition cost if purchased and subsequently carries them at fair value. Donated investments are reported at fair value at the date of gift.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted carrying value of the securities sold. Net unrealized gains and losses represent the net change in fair value of the securities and are recorded as an increase or decrease to net assets. Investment income is shown net of fees and was \$180 for the year ended December 31, 2010.

Revenues and Cost Recognition

The Organization's revenue is recognized on the accrual basis as earned and expenditures are recorded on the accrual basis whereby expenses are recorded when incurred, rather than when paid.

Concentrations

Credit Risk:

The Organization maintains cash balances at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures interest bearing accounts at each institution up to \$250,000 and fully insures non-interest bearing accounts with participating financial institutions under the Transaction Account Guarantee Program. At December 31, 2010, the Organization had cash deposits at one financial institution of \$129,725 in excess of the federally-insured limit. To date, the Organization has not experienced any losses on its deposits of cash. At December 31, 2010, cash and cash equivalents included money market mutual funds of \$10,052 which are not insured under the FDIC.

Major Granting Agencies:

At December 31, 2010, one government agency accounted for approximately 90% of the Organization's total accounts receivable.

Fair Value Measurements

The Organization records its financial assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of FASB Accounting Standards Codification (the "Topic"). This Topic provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability

Food Bank Coalition of SLO County

Notes to Financial Statements

December 31, 2010

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Note 2: Summary of Significant Accounting Policies (Continued)

(an exit price) in an orderly transaction between market participants at the reporting date. The Topic also establishes a three-tier hierarchy as follows, which prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value:

Stocks: Corporate common stocks are reported at fair value based on quoted market prices on national securities exchanges.

This hierarchy requires the Organization to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. At December 31, 2010, the Organization's investments are recorded at fair value and are all considered Level 1. The Organization does not have any other financial assets or liabilities that require measurement at fair value.

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 estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Food Bank Coalition of SLO County
Notes to Financial Statements
December 31, 2010
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Note 2: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Events subsequent to December 31, 2010 have been evaluated through August 4, 2011, which is the date the financial statements were available to be issued. Management did not identify any subsequent events that required disclosure.

Note 3: Inventories

At December 31, 2010, inventories consisted of the following:

Donated and purchased food	\$ 593,678
USDA commodities	<u>226,028</u>
Inventories	<u><u>\$ 819,706</u></u>

Note 4: Property and Equipment

At December 31, 2010, property and equipment consisted of the following:

	Balance			Balance
	December 31, 2009	Additions	Disposals	December 31, 2010
Land	\$ 169,746	\$	\$	\$ 169,746
Building	678,985			678,985
Building improvements	185,947			185,947
Equipment	55,201			55,201
Vehicles	258,220	94,214		352,434
Computer hardware and software	<u>8,354</u>			<u>8,354</u>
	1,356,453	94,214		1,450,667
Less accumulated depreciation	<u>(436,131)</u>	<u>(87,442)</u>		<u>(523,573)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 920,322</u></u>	<u><u>\$ 6,772</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 927,094</u></u>

Depreciation expense, including amortization of equipment acquired under capital lease, for the year ended December 31, 2010 was \$87,442.

For equipment that was acquired under capital lease, \$6,478 is included in computer hardware and software and the associated amortization of \$1,296 is included in accumulated depreciation.

Food Bank Coalition of SLO County
Notes to Financial Statements
December 31, 2010
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Note 5: Investments

Investments totaling \$21,205 at December 31, 2010 were all classified as equities.

Note 6: Notes Payable

At December 31, 2010, notes payable consisted of the following:

Note payable to Mission Community Bank dated April 18, 2002 with a fixed interest rate of 6.25% per annum, payable monthly at \$2,995 over 119 months, balance due March 1, 2017, secured by deed of trust.	\$ 419,111
Note payable to the County of San Luis Obispo under the Community Development Block Grant. The note is dated April 2002, secured by a deed of trust, no interest. The debt is expected to be forgiven in April 2012 pursuant to County approval.	165,680
Note payable to the County of San Luis Obispo under the Community Development Block Grant. The note is dated April 2002, secured by a deed of trust, no interest. The debt is expected to be forgiven in April 2012 pursuant to County approval.	168,612
Note payable to Isuzu Finance of America, Inc. dated December 17, 2010 with interest rate of 7.40% per annum, payable monthly at \$851 over 48 months, secured by a 2007 GMC Truck. Balance due December 17, 2014.	<u>35,250</u>
Less current portion	<u>(17,897)</u>
Notes payable, net of current portion	<u>\$ 770,756</u>

At December 31, 2010, the future minimum principal payments on notes payable were as follows:

<u>For the Year Ending December 31,</u>	
2011	\$ 17,897
2012	19,144
2013	20,479
2014	21,908
2015	12,876
Thereafter	<u>696,349</u>
Total	<u>\$ 788,653</u>

Note 7: Operating and Capital Leases

The Organization leases its South County warehouse facilities from an independent third-party. The lease term is month-to-month. Rent expense was \$36,000 for the year ended December 31, 2010.

The Organization entered into a capital lease for a copier with monthly payments of \$130 per month for 60 months at 7.2% interest. The lease expires on August 23, 2014. At December 31, 2010, future minimum principal lease payments under this capital lease were as follows:

<u>For the Year Ending December 31,</u>	
2011	\$ 1,560
2012	1,560
2013	1,560
2014	<u>1,087</u>
	5,767
Less Interest	<u>(679)</u>
Total	<u><u>\$ 5,088</u></u>

Note 8: Endowment to Support Food Acquisition and Distribution

The County of San Luis Obispo established an endowment with the San Luis Obispo County Community Foundation (the Foundation) for \$500,000 during 2004. The primary purpose of the endowment is to make annual grants to the Organization in order to support programs that provide food or other services that reduce hunger for those in need in San Luis Obispo County. The Foundation’s Board retains control over the endowment principal and distributions, which are not to exceed 5% of the fair market value of the endowment each year. Distributions from the endowment began in 2005. In 2010, there were no distributions from the endowment to the Organization. The endowment fair market value was approximately \$504,000 at December 31, 2010.