

**Food Bank Coalition of SLO County**

**Financial Statements**

**Year Ended December 31, 2009**

**Food Bank Coalition  
of SLO County  
Financial Statements  
Year Ended December 31, 2009**

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	3-4
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-15

**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, 2009, 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, 2009, 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  
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2010, 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, Phillips & Bryson  
Certified Public Accountants  
A Professional Corporation  
San Luis Obispo, California

September 23, 2010

**Food Bank Coalition of SLO County**  
**Statement of Financial Position**  
**December 31, 2009**

**Assets**

**Current assets:**

Cash and cash equivalents	\$ 423,923
Grants receivable	35,477
Inventories	736,489
Prepaid expenses	130
Total current assets	<u>1,196,019</u>

**Property and equipment, net of accumulated depreciation** 920,322

**Investments** 5,070

Total assets \$ 2,121,411

**Liabilities and Net Assets**

**Current liabilities:**

Accounts payable	\$ 8,477
Accrued compensation	27,265
Accrued liabilities	26,235
Current portion of capital lease obligation	1,159
Current portion of notes payable	9,475
Total current liabilities	<u>72,611</u>

**Long-term liabilities:**

Capital lease obligation, net of current portion	4,912
Notes payable, net of current portion	753,001
Total long-term liabilities	<u>757,913</u>

Total liabilities 830,524

**Net assets:**

Unrestricted	1,104,976
Temporarily restricted	185,911
Total net assets	<u>1,290,887</u>

Total liabilities and net assets \$ 2,121,411

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

**Food Bank Coalition of SLO County**  
**Statement of Activities**  
**Year Ended December 31, 2009**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues and other support:</b>			
TEFAP-USDA	\$ 83,459	\$	\$ 83,459
CAFB/CNN FSP reimbursement	28,484		28,484
EFSP	17,163		17,163
Donated food	8,105,362		8,105,362
Donated commodities	514,866		514,866
Area Agency on Aging - brown bag	10,202		10,202
California tax check off funds	6,254		6,254
Shared maintenance sales	93,107		93,107
Private purchase	253,576		253,576
Grants (state, county, city, private)	183,650	120,000	303,650
Donations	698,720	139,865	838,585
Fundraising events	88,941	5,000	93,941
Interest	3,362	182	3,544
Miscellaneous income	6,764		6,764
Rental income	5,000		5,000
Total revenues and other support	10,098,910	265,047	10,363,957
<b>Net assets released from restrictions</b>	<b>227,264</b>	<b>(227,264)</b>	<b>-</b>
<b>Expenses:</b>			
Program Services			
Cost of sales (shared maintenance and private purchase goods)	405,929		405,929
Donated food distributed	8,074,402		8,074,402
Commodities distributed	379,472		379,472
Other program services	934,896		934,896
Supporting Services			
General and administration	119,477		119,477
Fund-raising	288,611		288,611
Total expenses	10,202,787		10,202,787
Change in net assets	123,387	37,783	161,170
Net assets at beginning of year, as previously stated	1,031,989	97,728	1,129,717
Prior year restatement	(50,400)	50,400	-
Net assets beginning of year, restated	981,589	148,128	1,129,717
Net assets, end of year	\$ 1,104,976	\$ 185,911	\$ 1,290,887

*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, 2009**

	Program Services	Supporting Services		Total
		General and Administration	Fund- Raising	
Accounting services	\$ 9,778	\$ 4,504	\$ 4,504	\$ 18,786
Bad debt expense		5		5
Bank fees		292	2,632	2,924
Backpack program expenses	67,861			67,861
Board of directors expenses		850		850
Commodities distributed	379,472			379,472
Community relations	45,010	1,057	1,057	47,124
Computer expenses and software	5,754	5,755	5,755	17,264
Contract Labor	7,030		46,573	53,603
Cost of sales (shared maintenance and private purchase goods)	405,929			405,929
Depreciation	64,288	13,181		77,469
Donated food distributed	8,074,402			8,074,402
Dues and subscriptions	2,153			2,153
Equipment and machinery maintenance	4,242	164	164	4,570
Food drive costs	14,298			14,298
Food procurement fees	17,778			17,778
Fund-raising campaign expenses			85,343	85,343
Fund-raising event expenses			25,083	25,083
Government fees and taxes		457		457
Insurance	15,204	8,267	8,267	31,738
Interest and finance charges	16,569	5,486	5,486	27,541
Legal		964	963	1,927
Miscellaneous expense	85			85
Printing	337	54	54	445
Rent	32,500			32,500
Salaries and wages and related expenses	503,322	34,606	58,894	596,822
Supplies and postage	1,515	3,963	3,962	9,440
Telephone	3,436	4,403	4,403	12,242
Travel and meeting expenses		1,919	1,920	3,839
Utilities	19,251	2,406	2,407	24,064
Vehicle expenses	69,845	22,427	22,426	114,698
Volunteer program	3,638	1,212	1,213	6,063
Warehouse operations expenses	31,002	7,505	7,505	46,012
	<u>\$ 9,794,699</u>	<u>\$ 119,477</u>	<u>\$ 288,611</u>	<u>\$ 10,202,787</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, 2009**

<b>Cash flows from operating activities:</b>	
Net income	\$ 161,170
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation expense	77,469
Changes in operating assets and liabilities:	
Accounts receivable	7,654
Inventories	(166,356)
Prepaid expenses	3,282
Other assets	(5,070)
Accounts payable	(17,994)
Accrued compensation	6,058
Accrued liabilities	11,585
Net cash provided by operating activities	<u>77,798</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	<u>(89,777)</u>
Net cash used in investing activities	<u>(89,777)</u>
<b>Cash flows from financing activities:</b>	
Repayment of capital lease obligation	(407)
Repayment of notes payable	<u>(8,517)</u>
Net cash used in financing activities	<u>(8,924)</u>
Net decrease in cash	(20,903)
<b>Cash - beginning of year</b>	<u>444,826</u>
<b>Cash - end of year</b>	<u>\$ 423,923</u>
<b>Supplemental disclosures of cash flow information:</b>	
Interest paid during the period	\$ 27,541
Non-cash financing activities:	
Equipment acquired under capital lease obligation	\$ 6,478

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

**Food Bank Coalition of SLO County**  
**Notes to Financial Statements**  
**December 31, 2009**

**Note1: Nature of Business**

The Food Bank Coalition of SLO County (the Organization) is a nonprofit corporation 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-45, Not-For-Profit Entities Balance Sheet Presentation (formerly Statement of Financial Accounting Standards (SFAS) No. 117), 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 FASB ASC 958-605-45, Not-For-Profit Entities Other Presentation Matters (formerly SFAS No. 116), 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, 2009, 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 support, revenue and expenses.

**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, 2009**

**Page 2**

**Note 2: Summary of Significant Accounting Policies (Continued)**

Income Taxes Topic of FASB ASC 740 (formerly FAS Interpretation No. 48), Accounting for Uncertainty in Income Taxes was adopted for 2009. The adoption of this statement did not have a material impact on the financial statements.

**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, 2009 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 is 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 Food Bank Coalition of SLO County 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, 2009. The cost of government commodities were recorded based upon pounds distributed at the USDA established prices.

**Property and Equipment**

Property, equipment and leasehold improvements 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. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the lease. 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.

**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 zero for the year ended December 31, 2009.

**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, 2009, the Organization had cash deposits at one financial institution of \$82,316 in excess of the federally-insured limit. To date, the Company has not experienced any losses on its deposits of cash. At December 31, 2009, cash and cash equivalents included \$59,852 money market mutual funds which are not insured under the FDIC.

*Major Granting Agencies:*

At December 31, 2009, two government organizations accounted for approximately 81% of the Company's total accounts receivable.

**Fair Value Measurements**

The Company 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 (an exit price) in an orderly transaction between market participants at the reporting date. The Topic also establishes a three-tier

**Note 2: Summary of Significant Accounting Policies (Continued)**

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 Company 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, 2009, 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, 2009**  
**Page 5**

**Note 2: Summary of Significant Accounting Policies (Continued)**

**Subsequent Events**

Subsequent events have been evaluated through September 23, 2010, which is the date the financial statements were available to be issued.

**Note 3: Inventories**

Inventories at December 31, 2009, consisted of the following:

Donated and purchased food	\$ 514,784
USDA commodities	<u>221,705</u>
Inventories	<u><u>\$ 736,489</u></u>

**Note 4: Property and Equipment**

Property and equipment at December 31, 2009, consisted of the following:

	<b>Balance</b>			<b>Balance</b>
	<b>December 31, 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2009</b>
Land	\$ 169,746	\$	\$	\$ 169,746
Building	678,985			678,985
Building improvements	185,947			185,947
Equipment	41,348	13,853		55,201
Vehicles	175,818	82,402		258,220
Computer hardware and software	<u>8,354</u>			<u>8,354</u>
	1,260,198	96,255		1,356,453
Less accumulated depreciation	<u>(358,662)</u>	<u>(77,469)</u>		<u>(436,131)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 901,536</u></u>	<u><u>\$ 18,786</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 920,322</u></u>

Depreciation expense for the year ended December 31, 2009 was \$77,469.

For equipment that was acquired under capital lease, \$6,478 is included in computer hardware and software and the associated amortization of \$324 is included in accumulated depreciation.

**Food Bank Coalition of SLO County**  
**Notes to Financial Statements**  
**December 31, 2009**  
**Page 6**

**Note 5: Investments**

Investments totaling \$5,070 at December 31, 2009 were all classified as equities.

**Note 6: Notes Payable**

Notes payable at December 31, 2009, consisted of the following:

Note payable to Mission Community Bank 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.	\$ 428,184
Note payable to the County of San Luis Obispo under the Community Development Block Grant, secured by a deed of trust. No interest. At the end of the 10-year period, in April 2012, the debt is expected to be forgiven pursuant to County approval.	165,680
Note payable to the County of San Luis Obispo under the Community Development Block Grant, secured by a deed of trust. No interest. At the end of the 10-year period, in December 2012, the debt is expected to be forgiven pursuant to County approval.	<u>168,612</u>
	762,476
Less current portion	<u>(9,475)</u>
Notes payable, net of current portion	<u><u>\$ 753,001</u></u>

At December 31, 2009, the future minimum notes payable principal payments were as follows:

<b><u>For the Year Ending December 31,</u></b>	
2010	\$ 9,475
2011	10,085
2012	10,733
2013	11,424
2014	12,159
Thereafter	<u>708,600</u>
Total	<u><u>\$ 762,476</u></u>

**Food Bank Coalition of SLO County**  
**Notes to Financial Statements**  
**December 31, 2009**  
**Page 7**

**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 \$32,500 for the year ended December 31, 2009. During a portion of the year, the Organization leased part of its North County facilities to an independent third-party. The lease term was month-to-month and the lease expired in November 2009. Rental income was \$5,000 for the year ended December 31, 2009.

The Organization entered into a capital lease for a copier with monthly payments of \$130 per month for 60 months. The lease expires on August 23, 1014. At December 31, 2009, future minimum lease payments under this capital lease were as follows:

<u>For the Year Ending December 31,</u>	
2010	\$ 1,159
2011	1,245
2012	1,339
2013	1,439
2014	<u>889</u>
Total	<u>\$ 6,071</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 2009, there were no distributions from the endowment to the Organization. The endowment fair market value was approximately \$454,000 at December 31, 2009.

**Note 9: Prior Year Restatement**

It was determined during the current year that \$50,400 of net assets was temporarily restricted due to donor or grantor restrictions at December 31, 2008. A prior year restatement has been recorded in these financial statements to reclassify this amount between unrestricted and temporarily restricted net assets. There is no impact on total net assets.