

**Food Bank Coalition**  
**of SLO County**  
**Financial Statements**  
**Year Ended December 31, 2008**

FOOD BANK COALITION  
OF SLO COUNTY  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2008

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Glenn, Burdette,  
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**CERTIFIED PUBLIC ACCOUNTANTS**  
**TAX AND BUSINESS ADVISORS**

**Emeritus:**

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

Keith V. Lapp (1932-2008)

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**Independent Auditors' Report**

Board of Directors  
Food Bank Coalition  
of SLO County  
Paso Robles, California

We have audited the accompanying statement of assets, liabilities, and net assets - modified cash basis of Food Bank Coalition of SLO County as of December 31, 2008, and the related statements of support, revenue, and expenses - modified cash basis and functional expenses - modified cash basis 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. 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 described in Note 1, these financial statements were prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Food Bank Coalition of SLO County as of December 31, 2008, and its support, revenue, and expenses and functional expenses for the year then ended on the basis of accounting described in Note 1.

*Glenn, Burdette, Phillips & Bryson*

Glenn, Burdette, Phillips & Bryson  
Certified Public Accountants  
A Professional Corporation  
San Luis Obispo, California

June 25, 2009

FOOD BANK COALITION OF SLO COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2008

ASSETS

<u>Current Assets</u>	
Cash and cash equivalents	\$ 444,826
Prepaid expenses	3,412
Total current assets	<u>448,238</u>
<u>Fixed Assets, Net of Accumulated Depreciation</u>	<u>901,536</u>
Total Assets	<u>\$ 1,349,774</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Current portion of notes payable	\$ 7,440
Total current liabilities	<u>7,440</u>
<u>Long-Term Liabilities</u>	
Notes payable-less current portion	<u>763,553</u>
Total liabilities	<u>770,993</u>
<u>Net Assets</u>	
Unrestricted	481,053
Temporarily restricted	97,728
Total net assets	<u>578,781</u>
Total Liabilities and Net Assets	<u>\$ 1,349,774</u>

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

FOOD BANK COALITION OF SLO COUNTY  
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support</u>			
TEFAP - USDA	\$ 38,429	\$	\$ 38,429
CAFB/CNN FSP reimbursement	24,035		24,035
Donated food and commodities	6,585,761		6,585,761
Area Agency on Aging - Brown Bag	25,756		25,756
California tax check off funds	5,992		5,992
Shared maintenance sales	97,024		97,024
Private purchase	250,719		250,719
Grants (state, county, city, private)	186,951	142,800	329,751
Donations and other	706,023		706,023
Fundraising events	54,123		54,123
Interest	4,197	116	4,313
Miscellaneous income	1,660		1,660
Rental income	6,000		6,000
Total revenues and other support	7,986,670	142,916	8,129,586
<u>Net assets released from restrictions</u>	61,936	(61,936)	-
<u>Expenses</u>			
Program services:			
Cost of sales (shared maintenance and private purchase goods)	333,222		333,222
Donated food and commodities distributed	6,585,761		6,585,761
Other program services	767,824		767,824
Supporting services:			
General administration	90,451		90,451
Fund-raising	216,784		216,784
Total expenses	7,994,042		7,994,042
<u>Other Income (Expenses)</u>			
Gain on disposal of assets	3,610		3,610
Total other income (expenses)	3,610		3,610
<u>Increase in Net Assets</u>	58,174	80,980	139,154
<u>Net Assets - December 31, 2007</u>	422,879	16,748	439,627
<u>Net Assets - December 31, 2008</u>	\$ 481,053	\$ 97,728	\$ 578,781

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

FOOD BANK COALITION OF SLO COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2008

	<u>Program</u> <u>Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>General and</u> <u>Administration</u>	<u>Fund-</u> <u>Raising</u>	
Accounting services	\$ 6,257	\$ 6,257	\$ 6,257	\$ 18,771
Bad debt expense (recovery)		18		18
Bank fees	498	498	498	1,494
Backpack program expenses	40,737			40,737
Board of directors expenses		1,119		1,119
Community relations	1,856	1,856	1,856	5,568
Computer expenses and software	1,146	1,146	1,146	3,438
Consulting	2,537			2,537
Cost of sales (shared maintenance and private purchase goods)	333,222			333,222
Depreciation	53,006	10,601		63,607
Donated food and commodities distributed	6,585,761			6,585,761
Dues and subscriptions	6,244			6,244
Equipment and machinery maintenance	6,856			6,856
Food drive costs	1,946			1,946
Food procurement fees	26,410			26,410
Fund-raising campaign expenses			63,365	63,365
Fund-raising event expenses			29,822	29,822
Government fees and taxes (refunds)		340		340
Insurance	13,719	4,539	4,539	22,797
Insurance-workers' compensation	18,174	1,001	2,826	22,001
Interest and finance charges	17,864	5,955	5,955	29,774
Legal		4,021		4,021
Miscellaneous expense	15,000		6,743	21,743
Office repair and maintenance	345	345	345	1,035
Printing	266	266	266	798
Rent	32,085			32,085
Salaries and wages and related expenses	409,952	22,570	63,747	496,269
Supplies and postage	2,235	2,235	2,235	6,705
Telephone	5,861	1,954	1,954	9,769
Travel and meeting expenses	436	500		936
Utilities	16,541	2,068	2,068	20,677
Vehicle expenses	65,381	21,794	21,794	108,969
Volunteer program	4,104	1,368	1,368	6,840
Warehouse operations expenses	18,368			18,368
	<u>\$ 7,686,807</u>	<u>\$ 90,451</u>	<u>\$ 216,784</u>	<u>\$ 7,994,042</u>

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

FOOD BANK COALITION OF SLO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008

Note 1 - Summary of Significant Accounting Policies

A. Organization

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.

B. Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting, which requires that revenues be recorded when received in cash rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred. The modification of cash basis includes capitalizing acquisitions of fixed assets, recording depreciation of fixed assets and recording revenue and expense for the cost of donated food and commodities distributed.

C. 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. The Organization is also exempt from state income taxes.

D. Estimates

The preparation of financial statements in conformity with modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Financial Statement Presentation

Under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*, 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.

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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, 2008, 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 - modified cash basis.

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Note 1 - Summary of Significant Accounting Policies (Continued)

F. 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.

G. Concentrations of Credit Risk

The Organization maintains cash balances at financial institutions located in California. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 for interest bearing accounts. Under the Transaction Guarantee Account Program, all non-interest bearing accounts are fully insured. At December 31, 2008, the Organization had cash deposits in excess of insured limits totaling \$960.

H. Fixed Assets

Fixed assets 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.

I. Donated Food and Commodities

Donated items, consisting of government commodities and donated food are recorded at 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 and commodities are recorded based on pounds distributed at the annually established price per pound.

Note 2 - Fixed Assets

Fixed assets are comprised of the following at December 31, 2008:

Land	\$ 169,746
Building	678,985
Building improvements	185,947
Equipment	41,348
Vehicles	175,818
Computer hardware and software	8,354
	<hr/>
	1,260,198
Less: accumulated depreciation	(358,662)
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	<u>\$ 901,536</u>

FOOD BANK COALITION OF SLO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
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Note 2 - Fixed Assets (Continued)

Depreciation expense for the year ended December 31, 2008, was \$63,607.

Note 3 - Notes Payable

Notes payable are comprised of the following at December 31, 2008:

Note payable to Mission Community Bank with a fixed interest rate of 7.25% per annum, payable monthly at \$3,288 over 119 months, balance due March 1, 2017, secured by Deed of Trust.	\$ 436,701
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.	168,612
	<u>770,993</u>
Current portion	<u>7,440</u>
	<u>\$ 763,553</u>

Maturities of the notes payable to bank are as follows:

<u>Year Ended December 31,</u>	
2009	\$ 7,440
2010	8,005
2011	8,614
2012	9,181
2013	9,967
Thereafter	<u>727,786</u>
	<u>\$ 770,993</u>

Note 4 - Revolving Line of Credit

The Organization had an unsecured revolving line of credit with Mission Community Bank for \$50,000 with a variable interest rate of prime plus 1%. The line of credit matured in September 2008 and was not renewed.

FOOD BANK COALITION OF SLO COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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Note 5 - Operating Leases

The Organization leases its South County warehouse facilities from an independent third-party. The lease term is month-to-month. Rent expense was \$30,000 for the year ended December 31, 2008. The Organization leases part of its North County facilities to an independent third-party. The lease term is month-to-month. Rental income was \$6,000 for the year ended December 31, 2008.

Note 6 - 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 2008, distributions from the endowment to the Organization totaled \$26,701. The endowment fair market value was approximately \$387,000 at December 31, 2008.