

**FOOD BANK COALITION OF  
SAN LUIS OBISPO COUNTY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2015

AND INDEPENDENT AUDITORS' REPORT

## FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY

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## HAYASHI | WAYLAND

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Food Bank Coalition of San Luis Obispo County

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of ***Food Bank Coalition of San Luis Obispo County*** (a California nonprofit corporation) which comprise the statement of financial position as of December 31, 2015, 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**

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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Food Bank Coalition of San Luis Obispo County** as of December 31, 2015, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFF) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016 on our consideration of **Food Bank Coalition of San Luis Obispo County's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 internal part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

September 27, 2016

*Hayashi Wayland, LLP*



**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**

<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,240,126
Grants receivable	68,177
Contributions receivable, net of allowance	146,713
Inventories	685,807
Prepaid expenses	<u>43,823</u>
Total current assets	<u>2,184,646</u>
PROPERTY AND EQUIPMENT—NET	1,347,840
OTHER ASSETS:	
Deposits	21,868
Investments	<u>31,510</u>
Total other assets	<u>53,378</u>
TOTAL ASSETS	<u>\$ 3,585,864</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:	
Accounts payable	\$ 270,210
Accrued compensation	42,529
Accrued vacation	37,500
Current portion of notes payable	<u>41,510</u>
Total current liabilities	<u>391,749</u>
NOTES PAYABLE, NET OF CURRENT PORTION	<u>402,095</u>
Total liabilities	<u>793,844</u>
NET ASSETS:	
Unrestricted:	
Board designated	667,706
Undesignated	<u>1,744,110</u>
Total unrestricted net assets	2,411,816
Temporarily restricted net assets	<u>380,204</u>
Total net assets	<u>2,792,020</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,585,864</u>

See Notes to Financial Statements.

**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>			
Governmental support – cash	\$ 468,902	\$ –	\$ 468,902
Contributions In-Kind:			
Federal commodities	375,393	–	375,393
Donated commodities	8,508,099	–	8,508,099
In-kind rent	59,670	–	59,670
Contributions	1,416,597	954,674	2,371,271
Purchased food	237,817	–	237,817
California tax check off funds	7,192	–	7,192
Interest	544	–	544
Investment income	7,440	–	7,440
Unrealized loss on investments	(2,858)	–	(2,858)
Gain on sale of property and equipment	<u>876,079</u>	<u>–</u>	<u>876,079</u>
Total support and revenue	<u>11,954,875</u>	<u>954,674</u>	<u>12,909,549</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>915,617</u>	<u>(915,617)</u>	<u>–</u>
<b>EXPENSES:</b>			
Program services:			
Cost of sales (shared maintenance and private purchase goods)	586,954	–	586,954
Donated food distributed	8,379,538	–	8,379,538
Commodities distributed	379,213	–	379,213
Other program services	<u>1,588,907</u>	<u>–</u>	<u>1,588,907</u>
Total program services	<u>10,934,612</u>	<u>–</u>	<u>10,934,612</u>
Supporting services:			
General and administration	280,408	–	280,408
Fundraising	<u>319,700</u>	<u>–</u>	<u>319,700</u>
Total support services	<u>600,108</u>	<u>–</u>	<u>600,108</u>
Total expenses	<u>11,534,720</u>	<u>–</u>	<u>11,534,720</u>
<b>CHANGE IN NET ASSETS</b>	1,211,927	162,902	1,374,829
<b>NET ASSETS, BEGINNING OF YEAR (RESTATED)</b>	<u>1,076,044</u>	<u>341,147</u>	<u>1,417,191</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,287,971</u>	<u>\$ 504,049</u>	<u>\$ 2,792,020</u>

See Notes to Financial Statements.

**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services	Supporting Services		Total
		General and Administration	Fundraising	
Accounting services	\$ 41,783	\$ 9,349	\$ 5,871	\$ 57,003
Bank fees	–	8,717	–	8,717
Commodities distributed	379,213	–	–	379,213
Community relations	506	–	4,548	5,054
Computer expenses and software	30,336	6,787	4,263	41,386
Contract labor	25,880	–	–	25,880
Contract services	62,723	–	–	62,723
Cost of sales (donated/shared maintenance)	177,710	–	–	177,710
Cost of sales (purchased food)	409,243	–	–	409,243
Depreciation	93,164	19,082	–	112,246
Donated food distributed	8,379,538	–	–	8,379,538
Dues and subscriptions	7,746	1,733	1,089	10,568
Donor tracking costs	–	–	1,779	1,779
Equipment and machinery maintenance	7,421	–	–	7,421
Food drive costs	9,070	–	–	9,070
Fundraising	–	–	147,121	147,121
Government fees and taxes	–	307	–	307
Insurance	34,458	7,709	4,842	47,009
Interest and finance charges	19,126	610	610	20,346
Rent	92,280	2,945	2,945	98,170
Salaries and wages and related expenses	909,165	203,415	127,754	1,240,334
Supplies and postage	10,528	2,355	1,479	14,362
Telephone	22,017	703	703	23,423
Travel and meeting expenses	1,489	1,490	1,490	4,469
Utilities	66,888	2,135	2,135	71,158
Vehicle expenses	87,510	10,939	10,939	109,388
Warehouse operations expenses	66,818	2,132	2,132	71,082
<b>TOTAL EXPENSES</b>	<b>\$ 10,934,612</b>	<b>\$ 280,408</b>	<b>\$ 319,700</b>	<b>\$ 11,534,720</b>

See Notes to Financial Statements.

**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 1,374,829
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	112,246
Unrealized (gain) loss on investment	2,858
Gain on disposal of property and equipment	(876,079)
Changes in operating assets and liabilities:	
Grants receivable	(18,321)
Contributions receivable	(15,719)
Inventories	(102,193)
Prepaid expenses	(9,576)
Deposits	(21,868)
Accounts payable	221,181
Accrued compensation	29,364
Accrued vacation	<u>(3,248)</u>
<b>NET CASH PROVIDED IN OEPRATING ACTIVITIES</b>	<u><b>693,474</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from liquidation of investment	1,013,795
Purchases of investments	(964,954)
Proceeds from sale of property and equipment	1,475,534
Purchases of property and equipment	<u>(1,080,541)</u>
<b>NET CASH PROVIDED IN INVESTING ACTIVITIES</b>	<u><b>443,834</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES –</b>	
Repayment of notes payable	<u>(425,187)</u>
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<u><b>(425,187)</b></u>
<b>NET INCREASE IN CASH</b>	<b>712,121</b>
<b>CASH, BEGINNING OF YEAR</b>	<u><b>528,005</b></u>
<b>CASH, END OF YEAR</b>	<u><u><b>\$ 1,240,126</b></u></u>
 <b>SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES –</b>	
Cash paid for interest during the year	<u><u><b>\$ 20,346</b></u></u>

See Notes to Financial Statements.

**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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**NOTE 1. NATURE OF BUSINESS**

The Food Bank Coalition of San Luis Obispo 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 of San Luis Obispo County.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** – 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, which requires that revenues be recorded when earned and expenses be recorded when incurred.

**Financial Statement Presentation** – 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 in FASB ASC, 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, 2015, 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 Food Bank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and from California franchise tax under Section 23701(d) of the Revenue and Taxation Code. However, income from certain activities not directly related to the Food Bank's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

**Cash and Cash Equivalents** – For purposes of the statement of cash flow, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Allowance for Doubtful Accounts** – It is the policy of management to review the outstanding grants and contributions 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, 2015, management believed that no allowance for doubtful accounts was necessary for grants receivable and recorded an allowance for contributions receivable of \$4,765.

**Inventories** – Inventories consisted of purchased and donated food and government commodities. At December 31, 2015, donated food was recorded in inventory at \$1.70 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 was recorded based on pounds distributed at the annually established price per pound.

Purchased food was recorded in inventory at cost on a first in, first out basis.

Government commodities were recorded at the price established for each item by the USDA at December 31, 2015. 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 which is being 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.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments** – In accordance with Not-For-Profit Entities Investments subtopic of FASB ASC, 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 was \$7,440 for the year ended December 31, 2015.

**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.

**Contributions In-Kind** – Donated non-government food and donated government food for the year ended December 31, 2015 was valued at \$1.70 per pound. This valuation is based on a cost study conducted for Feeding America. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Food Bank would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Food Bank also receives donated services that do not require specific expertise but which are nonetheless central to the Food Bank’s operations. These contributed services are not reflected in the financial statements since the services do not require specialized skill as specified by accounting standards for recognition.

**Allocation of Functional Expenses** – The costs of providing the 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 and supporting services benefited.

**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 ASC (the Topic). The 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 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.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

This hierarchy requires the Organization to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. 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.

The following sets forth by level, within the fair value hierarchy, the Organization’s investments at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US equities	<u>\$ 31,510</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 31,510</u>
Total investments at fair value	<u>\$ 31,510</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 31,510</u>

**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.

**Subsequent Events** – Events subsequent to December 31, 2015 have been evaluated through September 27, 2016, which is the date the financial statements were available to be issued.

**NOTE 3. CONTRIBUTIONS RECEIVABLE**

Contributions receivable are unconditional promises to give to Silver Legacy for a Healthier Community (Silver Legacy) or Nourish Our Future. Silver Legacy is a program started in 2013 based on personal visits with major donors requesting unrestricted donations that are designated in a board restricted fund. The Nourish Our Future campaign was started in 2015 to fund the Nutrition Outreach Program.

At December 31, 2015, contributions receivable were as follows:

Silver Legacy	\$ 61,942
Nourish Our Future	<u>90,500</u>
Total pledges	<u>\$ 152,442</u>
Receivable in less than one year	\$ 66,827
Receivable in one to five years	<u>85,615</u>
Total pledges	152,442
Less: Allowance for uncollectables	4,765
Unamortized discount	<u>964</u>
Contributions receivable, net of allowance	<u>\$ 146,713</u>

**NOTE 4. INVENTORIES**

At December 31, 2015, inventories consisted of the following:

Donated Food	\$ 403,258
Purchased Food	82,162
USDA Commodities	<u>200,387</u>
Inventories	<u>\$ 685,807</u>

**NOTE 5. PROPERTY AND EQUIPMENT**

At December 31, 2015, property and equipment consisted of the following:

	Balance <u>12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/15</u>
Land	\$ 169,746	\$ -	\$ 169,746	\$ -
Building	678,985	-	678,985	-
Building improvements	202,175	-	202,175	-
Equipment	72,140	-	-	72,140
Vehicles	677,699	-	35,250	642,449
Computer hardware and software	32,343	-	-	32,343
Construction in progress	<u>-</u>	<u>1,080,541</u>	<u>-</u>	<u>1,080,541</u>
Total	1,833,088	1,080,541	1,086,156	1,827,473
Less accumulated depreciation	<u>854,089</u>	<u>112,246</u>	<u>486,702</u>	<u>479,633</u>
Property and equipment, net of accumulated depreciation	<u>\$ 978,999</u>	<u>\$ 968,295</u>	<u>\$ 599,454</u>	<u>\$ 1,347,840</u>

Depreciation expense for the year ended December 31, 2015 amounted to \$112,246.

**NOTE 6. NOTES PAYABLE**

At December 31, 2015, notes payable consisted of the following:

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. Management believes the debt will be forgiven 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. Management believes the debt will be forgiven pursuant to County approval.	168,612
Note payable to Coast National Bank dated September 4, 2012 with interest rate of 5.5% per annum, payable monthly at \$431 over 60 months. The note is secured by a 2007 International 4300 Truck. Balance due September 4, 2017.	<u>8,538</u>
Total forward	\$ 342,830

**NOTE 6. NOTES PAYABLE (Continued)**

Total forward	\$	342,830
Note payable to Coast National Bank dated June 6, 2012 with interest rate of 6% per annum, payable monthly at \$120 over 60 months. The note is secured by a Sharp Color MFP copier/scanner MX-3610. Balance due June 6, 2017.		2,168
Note payable to US Bank dated June 7, 2013 with interest rate of 4% per annum, payable monthly at \$2,013 over 60 months. The note is secured by a 2014 International Truck. Balance due July 7, 2018.		62,403
Note payable to Hitachi Capital America Corp. dated January 15, 2014 with interest rate of 5.4% per annum, payable monthly at \$1,064.41 over 60 months. The note is secured by a 2014 Isuzu refrigerated truck. Balance due February 15, 2019.		<u>36,204</u>
Total notes payable		443,605
Less current portion		<u>41,510</u>
Notes payable, net of current portion	\$	<u>402,095</u>
At December 31, 2015, the future minimum principal payments on notes payable were as follows:		
2017	\$	40,301
2018		26,442
2019		1,060
Thereafter		<u>334,292</u>
Total	\$	<u>402,095</u>

**NOTE 7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2015 were as follows:

<u>Purpose</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Added</u>	<u>Satisfied</u>	<u>Balance</u> <u>12/31/2015</u>
PR Senior Brown Bag	\$ 10,499	\$ 6	\$ -	\$ 10,505
Children's Farmers Market	19,720	39,174	40,618	18,276
Seniors Farmers Market	-	9,025	9,025	-
Summer Lunch Program	-	45,380	45,380	-
Christine Allen Fund	-	1701	1701	-
Nourish Our Future	-	684,934	594,434	90,500
Webster Foundation Backpack Program	123,845	-	123,845	-
Agency Credits	33,385	2,591	-	35,976
Glean SLO	-	28,922	28,922	-
Brilliant Beginnings	152,738	81,000	70,732	163,006
PGE	960	-	960	-
Silver Legacy Pledge	-	61,941	-	61,941
Total	<u>\$ 341,147</u>	<u>\$ 954,674</u>	<u>\$ 915,617</u>	<u>\$ 380,204</u>

**NOTE 8. OPERATING LEASES**

The Organization leases its South County warehouse facilities and office space from independent third-parties. The lease terms are month-to-month. Rent expense for these agreements was \$38,500 for the year ended December 31, 2015.

During 2015, the Organization sold its warehouse and offices located in Paso Robles, CA. After the sale the Organization leased the premises back to the buyer at no additional cost. This agreement is effective from July 10, 2015 through July 9, 2016 with an extension through September 9, 2016. The fair market value of the space is \$10,530 per month, totaling \$59,670 for the year ended December 31, 2015. This amount is recorded both as revenue and expense in the accompanying Statement of Activities.

**NOTE 9. ENDOWMENT TO SUPPORT FOOD ACQUISITION AND DISTRIBUTION**

The County of San Luis Obispo established an endowment with San Luis Obispo County Community Foundation (the Foundation) of \$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 and this endowment is not recorded in the Organization's financial statements. Currently, the Organization receives annual distributions of \$20,000 or 5% of the fair market value of the endowment, whichever is greater, until the funds are fully distributed. In 2015, there was \$27,573 distributed from the endowment to the Organization. The endowment fair market value was approximately \$514,705 at December 31, 2015.

**NOTE 10. CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015 cash included \$48,762, which was not insured under the FDIC. In addition, the Organization maintains an investment account at an institution that participates in the Securities Investor Protection Corporation (SIPC). At December 31, 2015, all cash was insured under the SIPC.

*Major Granting Agencies:* At December 31, 2015, five entities accounted for approximately 100% of the Organization's total grants receivable and one donor accounted for approximately 71% of the Organization's total contributions receivable.

**NOTE 11. SUBSEQUENT EVENTS**

Subsequent to year end, the Organization obtained a new loan in the amount of \$2,640,350 to assist with building costs associated with their new site in San Luis Obispo. The loan has a fixed interest rate of 3.990% and is due September 2017.

**REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***



## HAYASHI | WAYLAND

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

#### INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Food Bank Coalition of San Luis Obispo County  
Paso Robles, California**

We have audited, in accordance with the 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, the financial statements of ***Food Bank Coalition of San Luis Obispo County***, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2016.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ***Food Bank Coalition of San Luis Obispo County's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Food Bank Coalition of San Luis Obispo County's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Food Bank Coalition of San Luis Obispo County's*** internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *Food Bank Coalition of San Luis Obispo County's* financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 27, 2016

*Hayashi Wayland, LLP*



**REPORTS REQUIRED BY  
THE UNIFORM GUIDANCE**



## HAYASHI | WAYLAND

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

#### INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Food Bank Coalition of San Luis Obispo County  
Paso Robles, California**

#### **Report on Compliance for Each Major Federal Program**

We have audited **Food Bank Coalition of San Luis Obispo County's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Food Bank Coalition of San Luis Obispo County's** major federal programs for the year ended December 31, 2015. **Food Bank Coalition of San Luis Obispo County's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of **Food Bank Coalition of San Luis Obispo County's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Food Bank Coalition of San Luis Obispo County's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Food Bank Coalition of San Luis Obispo County's** compliance.



## Opinion on Each Major Federal Program

In our opinion, **Food Bank Coalition of San Luis Obispo County** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2015-01. Our opinion on each major federal program is not modified with respect to these matters.

**Food Bank Coalition of San Luis Obispo County's** response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Food Bank Coalition of San Luis Obispo County's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of **Food Bank Coalition of San Luis Obispo County** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Food Bank Coalition of San Luis Obispo County's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Food Bank Coalition of San Luis Obispo County's** internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-01 that we consider to be a significant deficiency.



**Food Bank Coalition of San Luis Obispo County's** response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Food Bank Coalition of San Luis Obispo County's** response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

September 27, 2016

*Hayashi Wayland, LLP*



**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBERS	FEDERAL EXPENDITURES
<b>US Department of Agriculture</b>			
<u>Emergency Food Assistance Program Cluster:</u>			
<u>Passed through California Department of Social Services</u>			
Emergency Food Assistance Program (Food Commodities)	10.569	MOU 07-6047	\$ 375,393
Emergency Food Assistance Program (Administrative Costs)	10.568	MOU 07-6047	67,365
DFAP, Drought Federal Assistance Program	10.569	10-6058	<u>6,356</u>
Total Food Distribution Cluster			<u>449,114</u>
NIFA, Community Food Project	10.225	13-329-33800	<u>80,919</u>
<u>Child Nutrition Cluster:</u>			
<u>Passed through California Department of Education</u>			
Summer Food Service Program	10.559	Z7660	<u>212,079</u>
Total Child Nutrition Cluster			<u>212,079</u>
<u>SNAP Cluster:</u>			
<u>Passed through the California Association of Food Banks</u>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	10-10031	8,886
<u>Passed through San Luis Obispo County Public Health Department Food Banks</u>			
SNAP ED Grant	10.551	13-20492	<u>81,765</u>
Total SNAP Cluster			<u>90,651</u>
Total US Department of Agriculture			<u>832,763</u>
<b>US Department of Homeland Security</b>			
<u>Passed through SLO County United Way Chapter</u>			
Emergency Food and Shelter National Board Program – Phase 32	97.024	LRO 086400-012	<u>6,000</u>
Total Department of Homeland Security			<u>6,000</u>
<b>Department of Housing and Urban Development</b>			
<u>Passed through County of San Luis Obispo</u>			
Community Development Block Grants	14.218	N/A	<u>334,292</u>
Total Department of Housing and Urban Development			<u>334,292</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,173,055</u>

See Notes to this Schedule.

**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Food Bank Coalition of San Luis Obispo County under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Food Bank Coalition of San Luis Obispo County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Food Bank Coalition of San Luis Obispo County.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3 – Loan Outstanding**

Food Bank Coalition of San Luis Obispo County had the following loan balances outstanding at December 31, 2015. This loan program is also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	CFDA NUMBER	AMOUNT
Community Development Block Grant	14.218	\$ 334,292

**Note 4 – Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2015, the Organization had food commodities totaling \$200,387 in inventory.

**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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**I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(cies) identified? None Noted

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(cies) identified? Yes

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? Yes

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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10.568 & 10.569	Emergency Food Assistance
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Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**II. FINANCIAL STATEMENT FINDINGS**

A. Reportable Conditions in Internal Control

There are no reportable conditions findings.

B. Compliance Findings

There are no compliance findings.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**10.569 US Department of Agriculture - Emergency Food Assistance Program**

**2015-01 Site Distribution Forms Not Properly Completed**

**Condition:** Distribution reports used to reconcile the commodities distributed at site locations were not properly completed and signed off.

**Criteria:** A distribution report is used to verify that the amount of commodities distributed is reconciled to the number of households served as noted on the Form EFA 7.

**Cause:** There was not a written procedure in place documenting proper protocol for completion by volunteer coordinators assigned to distributions sites.

**Effect:** Records to verify the number of households served did not match distributions reports.

**Context:** A sample of 25 USDA Distribution sites were tested to verify the control over compliance that the distribution form was properly filled out and signed by an authorized representative. Out of our sample, 8 of the distributions forms were not properly completed.

**View of Responsible Office and Planned Corrective Actions:** The Food Bank Coalition of San Luis Obispo County has previously identified this deficiency and has already begun putting steps in place to correct it. Additional training has been established for volunteer coordinators on the proper completion of the paperwork and there has been subsequent review from Food Bank staff to ensure the paperwork is properly completed to ensure compliance with TEFAP procedures.

**FOOD BANK COALITION OF SAN LUIS OBISPO COUNTY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

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There were no findings and questioned costs for the fiscal year ended December 31, 2014.