

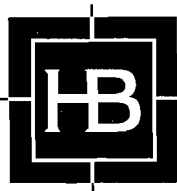
**FOOD BANK  
FOR MONTEREY COUNTY**

**FINANCIAL REPORT**

**Years Ended June 30, 2010 and 2009**

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-14
<b>EXPENDITURES OF FEDERAL AWARDS</b>	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
<b>INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION</b>	17
<b>SUPPLEMENTARY INFORMATION</b>	
Statement of Support, Revenue, and Expenses by Program	18-19
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	20-21
<b>REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	22-23
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	24



HUTCHINSON and

BLOODGOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

579 Auto Center Drive  
Watsonville, CA 95076-3727  
t 831.724.2441 f 831.761.2135  
www.hblip.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Food Bank for Monterey County  
Salinas, California

We have audited the accompanying statements of financial position of the Food Bank for Monterey County (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of cash flows for the years then ended, and the statement of activities and the statement of functional expenses for the year ended June 30, 2010. These financial statements are the responsibility of the Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information has been derived from Food Bank's 2009 financial statements and, in our report dated October 27, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Food Bank for Monterey County as of June 30, 2010 and 2009, and its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010, on our consideration of the Food Bank for Monterey County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 important for assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Food Bank for Monterey County taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Food Bank for Monterey County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements as of and for the year ended June 30, 2010, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hutchinson and Bloodgood LLP

October 14, 2010

**FOOD BANK FOR MONTEREY COUNTY**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2010 and 2009

ASSETS	2010	2009
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 2)	\$ 1,361,023	\$ 784,828
Certificates of deposit	124,154	492,267
Investments (Note 4)	19,175	9,702
Grants and other receivables	229,090	95,775
Inventory (Note 6)	992,451	993,334
Prepaid expenses	39,315	39,402
	2,765,208	2,415,308
 <b>PROPERTY AND EQUIPMENT, at cost</b>		
Equipment	719,219	707,884
Leasehold improvements	24,586	24,586
	743,805	732,470
Less accumulated depreciation	665,725	648,768
	78,080	83,702
 <b>OTHER ASSETS</b>		
Certificates of deposit	274,211	--
Beneficial interest in assets held by Community Foundation (Note 10)	12,819	11,979
	287,030	11,979
	\$ 3,130,318	\$ 2,510,989

The notes to financial statements are an integral part of these statements.

<b>LIABILITIES AND NET ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 25,721	\$ 7,040
Vacation liability	31,899	36,672
Unearned revenue	537,268	353,663
	<u>594,888</u>	<u>397,375</u>
<b>COMMITMENTS (Note 8)</b>		
<b>NET ASSETS</b>		
Unrestricted net assets:		
Undesignated	1,340,568	883,047
Board designated, endowment (Note 10)	12,819	11,979
Board designated, net fixed assets	78,080	83,702
Board designated, inventory, net of unearned revenue	455,183	668,708
Board designated, capital campaign	292,935	274,460
Total unrestricted net assets	<u>2,179,585</u>	<u>1,921,896</u>
Temporarily restricted net assets (Note 3)	355,845	191,718
	<u>2,535,430</u>	<u>2,113,614</u>
	<u>\$ 3,130,318</u>	<u>\$ 2,510,989</u>

**FOOD BANK FOR MONTEREY COUNTY**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2010**

**With Comparative Audited Totals for the Year Ended June 30, 2009**

	Unrestricted	Temporarily Restricted	2010 Total	2009 Total
<b>SUPPORT AND REVENUE</b>				
General support and fees:				
Food donations (Note 9)	\$ 6,293,294	\$ --	\$ 6,293,294	\$ 7,697,295
Product fees	222,072	--	222,072	250,472
Cash contributions	1,064,014	3,000	1,067,014	1,038,891
In-kind contributions	13,768	--	13,768	10,000
Grants	141,000	463,000	604,000	527,163
Grants-United Way	30,000	--	30,000	35,000
Government contracts	1,302,860	--	1,302,860	488,498
Bequests	20,000	--	20,000	6,000
Special events	74,712	--	74,712	41,420
Interest and other income	16,376	--	16,376	18,213
Miscellaneous income	12,894	--	12,894	3,105
Gain (loss) on disposal of equipment	(521)	--	(521)	500
Unrealized investment gain (loss)	2,797	--	2,797	(14,113)
Net assets released from restrictions:				
Satisfaction of program restrictions	301,873	(301,873)	--	--
Total support and revenue	9,495,139	164,127	9,659,266	10,102,453
<b>EXPENSES</b>				
Food Bank Agency Clearinghouse	3,938,231	--	3,938,231	5,069,825
Emergency Food Assistance (EFAP)	2,662,628	--	2,662,628	2,424,607
Education and Advocacy	35,958	--	35,958	32,905
Family Market	2,165,764	--	2,165,764	1,928,943
Administration	161,833	--	161,833	185,037
Fundraising	273,036	--	273,036	283,539
Total expenses	9,237,450	--	9,237,450	9,924,853
Increase in net assets	257,689	164,127	421,816	177,600
Net assets, beginning of year	1,921,896	191,718	2,113,614	1,936,014
Net assets, end of year	\$ 2,179,585	\$ 355,845	\$ 2,535,430	\$ 2,113,614

The notes to financial statements are an integral part of this statement.

FOOD BANK FOR MONTEREY COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

With Comparative Audited Totals for the Year Ended June 30, 2009

PROGRAM SERVICES

	FOOD BANK	EFAP	EDUCATION AND ADVOCACY	FAMILY MARKET	SUBTOTAL
<b>EXPENSES</b>					
Donated food	\$ 2,996,216	\$ 1,454,062	\$ --	\$ 2,018,291	\$ 6,468,569
USDA commodities	88,094	791,902	--	--	879,996
Food costs	309,637	126,256	--	24,514	460,407
Salaries and wages	257,175	101,606	18,610	43,612	421,003
Employee benefits	70,821	27,274	4,014	9,776	111,885
Payroll taxes	22,229	8,735	1,627	3,636	36,227
Outside services	7,117	5,885	5,119	8,478	26,599
Supplies	15,916	28,979	667	6,945	52,507
Equipment expense	2,523	2,375	455	1,700	7,053
Telephone	3,499	1,620	177	1,252	6,548
Postage	557	6	487	40	1,090
Occupancy	110,163	76,906	2,323	26,997	216,389
Printing and advertising	2,727	992	260	1,741	5,720
Vehicle expense	34,879	25,229	--	11,651	71,759
Meetings, training and travel	274	53	923	103	1,353
Membership dues	--	--	--	--	--
Depreciation	15,252	10,118	337	5,919	31,626
Miscellaneous	1,152	630	959	1,109	3,850
<b>TOTAL EXPENSES - 2010</b>	<u>\$ 3,938,231</u>	<u>\$ 2,662,628</u>	<u>\$ 35,958</u>	<u>\$ 2,165,764</u>	<u>\$ 8,802,581</u>
<b>TOTAL EXPENSES - 2009</b>	<u>\$ 5,069,823</u>	<u>\$ 2,424,607</u>	<u>\$ 32,904</u>	<u>\$ 1,928,943</u>	<u>\$ 9,456,277</u>

The notes to financial statements are an integral part of this statement.

SUPPORT SERVICES

ADMINIS- TRATION	FUND- RAISING	SUBTOTAL	2010 TOTAL	2009 TOTAL
\$ --	\$ --	\$ --	\$ 6,468,569	\$ 7,866,729
--	--	--	879,996	241,754
--	--	--	460,407	409,218
85,731	100,300	186,031	607,034	609,259
13,564	15,376	28,940	140,825	134,684
7,800	8,721	16,521	52,748	54,157
28,481	54,422	82,903	109,502	99,007
1,053	371	1,424	53,931	41,814
602	388	990	8,043	10,571
1,671	922	2,593	9,141	8,390
1,538	19,139	20,677	21,767	23,134
8,652	4,617	13,269	229,658	221,620
586	65,076	65,662	71,382	71,808
--	--	--	71,759	68,021
1,483	1,270	2,753	4,106	5,582
8,016	60	8,076	8,076	10,751
852	834	1,686	33,312	42,361
1,804	1,540	3,344	7,194	5,993
<u>\$ 161,833</u>	<u>\$ 273,036</u>	<u>\$ 434,869</u>	<u>\$ 9,237,450</u>	
<u>\$ 185,037</u>	<u>\$ 283,539</u>	<u>\$ 468,576</u>		<u>\$ 9,924,853</u>

**FOOD BANK FOR MONTEREY COUNTY**

**STATEMENTS OF CASH FLOWS**

**Years Ended June 30, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received as revenue and support	\$ 2,284,450	\$ 2,103,649
Cash paid to suppliers and employees	(1,789,560)	(1,750,252)
Interest and dividends received	15,614	18,218
	<u>510,504</u>	<u>371,615</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (purchase) of certificates of deposit, net	93,902	(5,665)
Cash received from sale of property and equipment	--	500
Cash used to purchase property and equipment	(28,211)	(17,288)
	<u>65,691</u>	<u>(22,453)</u>
Net cash provided (used) by investing activities		
	<u>576,195</u>	<u>349,162</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>784,828</u>	<u>435,666</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,361,023</u>	<u>\$ 784,828</u>

The notes to financial statements are an integral part of these statements.

<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2010</b>	<b>2009</b>
Increase in net assets	\$ 421,816	\$ 177,600
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	33,312	42,361
(Gain) loss on disposal of equipment	521	(509)
Donated fixed assets	--	(10,009)
Donated securities	(7,516)	--
Unrealized (gain) loss on investments	(2,797)	14,118
(Increase) decrease in:		
Grants and other receivables	(133,315)	(35,506)
Inventory	883	(20,275)
Prepaid expenses	87	10,302
Increase (decrease) in:		
Accounts payable	18,681	(10,959)
Vacation liability	(4,773)	7,297
Unearned revenue	183,605	197,177
	<u>183,605</u>	<u>197,177</u>
Net cash provided by operating activities	<u>\$ 510,504</u>	<u>\$ 371,615</u>

#### **SUPPLEMENTAL DISCLOSURES**

##### **NON-CASH INVESTING ACTIVITIES**

###### **In-kind contributions:**

Property and equipment	\$ --	\$ 10,000
Stock	7,516	--
	<u>7,516</u>	<u>--</u>

<b>TOTAL NON-CASH INVESTING ACTIVITIES</b>	<u>\$ 7,516</u>	<u>\$ 10,000</u>
--	-----------------	------------------

# FOOD BANK FOR MONTEREY COUNTY

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

### Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Business*

The Food Bank for Monterey County (Food Bank) is a California nonprofit corporation established in 1992 to distribute food to alleviate hunger, provide emergency food services during a natural disaster, and conduct educational awareness programs relating to hunger issues in Monterey County. The Food Bank administers the following programs:

*Food Bank Agency Clearinghouse:* This is a network of approximately 64 Monterey County non-profit agencies that rely on the Food Bank as their primary food resource to provide food assistance that serve the elderly, chronically ill, homeless, unemployed and working poor.

*Emergency Food Assistance Program (EFAP):* This program distributes United States Department of Agriculture food commodities at 27 sites throughout Monterey County on a monthly basis.

*Education and Advocacy:* This program promotes the Food Bank's mission in the community by educating people about the personal, political and social issues related to hunger.

*Family Market:* This is the Food Bank's newest direct food distribution program, and operates like a Farmers' Market. Food distributed consists of fresh locally grown produce and other produce from all over the state. It is to help with the growing health concerns among the population served, specifically diabetes and obesity.

#### *Comparative Financial Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

#### *Accounting Policies*

Cash and in-kind contributions, gifts, and fund-raising are recognized as income when received. United States Department of Agriculture (USDA) cost reimbursement revenues, pledged contributions, interest, and grants are recognized as income on the accrual basis. All expenses are recognized on the accrual basis. Other significant accounting policies are:

**FOOD BANK FOR MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended June 30, 2010 and 2009**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of Estimates*

Preparing the Food Bank's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

For purposes of the statements of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

*Investments*

Investments are stated at fair value, except for certificates of deposit stated at cost, which is not materially different from fair value.

*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 23701d of the Revenue and Taxation Code. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Effective July 1, 2009, the Food Bank implemented the new accounting requirements associated with uncertainty in income taxes. The Financial Accounting Standards Board issued guidance that clarifies the accounting for uncertainty in income taxes recognized in an Organization's financial statements. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more than likely than not the positions will be sustained upon examination by the tax authorities. As of June 30, 2010, the Food Bank has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Food Bank's tax years for 2006 through 2009 remain open and could be subject to the examination by the federal tax jurisdiction. For the state tax jurisdiction, the tax years 2005 through 2009 remain open and could be subject to examination.

FOOD BANK FOR MONTEREY COUNTY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Valuation of Grants Receivable*

Grants receivable are stated at face value, since probable uncollectible accounts are immaterial.

*Contributions*

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

*Contributions In-Kind*

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. While these contributed services are not reflected in the financial statements, the estimated value of these services is disclosed in Note 9.

*Property and Equipment*

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value as of the date of donation. Depreciation expense is computed using the straight line method over the estimated useful lives of the assets, which ranges from three to ten years. The Food Bank's capitalization limit is \$1,000.

*Unearned Revenue*

Included in inventory and unearned revenue is the value of food commodities received by the Organization from the USDA. The Organization's policy is to recognize the fair value of food received and an offsetting liability until the food is distributed.

*Reclassifications*

Certain reclassifications have been made to the prior year's financial statements to conform to the current year financial presentation.

**FOOD BANK FOR MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended June 30, 2010 and 2009**

**Note 2. CONCENTRATION OF CREDIT RISK FOR CASH HELD AT BANKS**

The Food Bank maintains cash balances at several banks and one brokerage firm. Cash balances held at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Cash balances held in non-interest bearing accounts are fully insured for banks participating in the FDIC Transaction Account Guarantee Program (TAGP). Cash balances held at the brokerage firm are not FDIC insured. Amounts in excess of federally insured limits at June 30, 2010 were approximately \$211,603.

**Note 3. RESTRICTED NET ASSETS**

*Temporarily Restricted Net Assets:*

Temporarily restricted net assets at June 30, 2010 were as follows:

Purpose	Balance 6/30/2009	Added	Satisfied	Balance 6/30/2010
Grants:				
Harden Foundation				
Customer service clerk, improve area	\$ 6,218	\$ --	\$ 294	\$ 5,924
Harden Foundation				
EFAP (matching)	--	50,000	47,435	2,565
Mazon				
Education	--	13,000	--	13,000
Community Foundation				
EFAP	--	50,000	50,000	--
Monterey Peninsula Foundation-AT&T				
Pebble Beach				
Family Market support	50,000	100,000	50,000	100,000
David & Lucille Packard Foundation				
Agency Clearinghouse support	125,000	250,000	154,144	220,856
Board members				
Capital campaign	10,500	3,000	--	13,500
	<u>\$ 191,718</u>	<u>\$ 466,000</u>	<u>\$ 301,873</u>	<u>\$ 355,845</u>

**FOOD BANK FOR MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended June 30, 2010 and 2009**

**Note 3. RESTRICTED NET ASSETS (Continued)**

Temporarily restricted net assets at June 30, 2009 were as follows:

Purpose	Balance 6/30/2008	Added	Satisfied	Balance 6/30/2009
Grants:				
American Idol				
EFAP support	\$ 9,063	\$ --	\$ 9,063	\$ --
Grover Herman Fund of Community Foundation				
EFAP support	8,954	--	8,954	--
Webb Family Charitable Trust				
Matching Grant	--	16,500	16,500	--
Harden Foundation				
Customer service clerk, improve area	10,000	--	3,782	6,218
EFAP support	31,148	30,000	61,148	--
Mazon: A Jewish Response to Hunger				
Education and Advocacy salary support	19,526	--	19,526	--
Community Foundation of Monterey County				
EFAP support	--	35,000	35,000	--
Monterey Peninsula Foundation-AT&T				
Pebble Beach				
Family Market support	--	100,000	50,000	50,000
David & Lucille Packard Foundation				
Agency Clearinghouse support	91,160	250,000	216,160	125,000
Wells Fargo				
EFAP support	5,000	--	5,000	--
Board members				
Capital campaign	7,500	3,000	--	10,500
	<u>\$ 182,351</u>	<u>\$ 434,500</u>	<u>\$ 425,133</u>	<u>\$ 191,718</u>

**Note 4. INVESTMENTS**

Certificates of deposit are reported at cost, which is not materially different from fair value. All other investments are reported at fair value. Other investments reported as current assets at June 30, 2010 and 2009 consist of the following:

	Cost	Fair Value (Level 1)	Accumulated Unrealized Loss
2010 Common stock	<u>\$ 29,238</u>	<u>\$ 19,175</u>	<u>\$ (10,063)</u>
2009 Common stock	<u>\$ 21,722</u>	<u>\$ 9,702</u>	<u>\$ (12,020)</u>

**FOOD BANK FOR MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended June 30, 2010 and 2009**

**Note 5. FAIR VALUE MEASUREMENTS**

The Food Bank utilizes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Food Bank's assets at fair value as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	<u>\$ 19,175</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 19,175</u>

The following table sets forth by level, within the fair value hierarchy, the Food Bank's assets at fair value as of June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	<u>\$ 9,702</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 9,702</u>

**Note 6. INVENTORY**

The Food Bank was established to acquire and distribute donated and purchased foods and United States Department of Agriculture (USDA) commodities. The Food Bank's policy is to recognize the flow of donated food through the Food Bank as in-kind contributions. The Food Bank's policy is that inventory may neither be sold nor pledged as security for debt.

Inventory and food distribution consists of three types: (1) Donated food valued at \$1.33 per pound at June 30, 2010 (\$1.43 at 2009) using an average value derived from Feeding America, formally known as the Second Harvest National Food Bank Network; (2) Purchased food valued at the lower of cost (first-in, first-out) or market; and (3) Emergency Food Assistance Program (EFAP) food valued according to the USDA's determination of the commodities' fair value.

**FOOD BANK FOR MONTEREY COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**Years Ended June 30, 2010 and 2009**

**Note 7. DEFERRED COMPENSATION PLAN**

The Food Bank has a deferred compensation plan under Internal Revenue Code section 403(b), whereby employees may defer a portion of their salary immediately upon employment. After 12 months of employment, for employees who are at least 18 years of age, the Food Bank contributes an amount equal to 2.5% of the employee's base pay for all employees, regardless of whether they have elected to defer a portion of their pay. The Food Bank's contributions for the fiscal years ended June 30, 2010 and 2009 were \$13,296 and \$14,058, respectively.

**Note 8. LEASES**

The Food Bank leases its administrative and warehouse space under a lease agreement terminating on March 31, 2012. The lease agreement, dated March 25, 2009, calls for a monthly payment of \$12,348, which is adjusted annually based on the change in the consumer price index or 2%, whichever is greater. The Food Bank also leases additional warehouse space on a short-term basis as needed when donations received exceed the capacity of their warehouse.

The following is a schedule by years and in the aggregate of future minimum rental payments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year for the years ending June 30:

2011	\$ 151,889
2012	<u>115,617</u>
	<u>\$ 267,506</u>

Rent expense for the years ended June 30, 2010 and 2009 was \$150,665 and \$147,151, respectively.

# FOOD BANK FOR MONTEREY COUNTY

## NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

### **Note 9. CONTRIBUTIONS IN-KIND**

The estimated fair value of donated food, supplies and expert services received are recorded as contributions. During the years ended June 30, 2010 and 2009, respectively, \$6,293,294 and \$7,697,295 in food donations were received by the Food Bank.

The Food Bank also receives donated services that do not require specific expertise but which are nonetheless central to the Food Bank's operations. The Food Bank relies on volunteers from the community to sort, glean, and repack donated food. The estimated value of these services for the years ended June 30, 2010 and 2009, based on the estimated dollar value of volunteer time calculated using California's minimum wage rates, amounts to \$436,004 and \$388,854, respectively. The value of these services is not reflected in the financial statements.

### **Note 10. ENDOWMENT FUND**

During the fiscal year ended June 30, 1993, the Food Bank contributed \$10,100 to the Community Foundation of Monterey County as an irrevocable gift of board designated net assets for endowment income. This contribution is carried by the Foundation in a separate fund, the Food Bank for Monterey County Endowment Fund, which can be added to by donor contributions. The Food Bank receives the net investment income (after a deduction for management fees) of that Fund annually. The use of that income is unrestricted.

### **Note 11. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 14, 2010, the date the financial statements were available to be issued.

**FOOD BANK FOR MONTEREY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Pass-through programs from:			
California Department of Social Services			
The Emergency Food Assistance Program			
Administration	10.568	G37023	90,621
Administration - ARRA Funds	10.568	G37023	45,892
Commodities	10.569	G37023	<u>879,996</u>
			<u>1,016,509</u>
Federal Emergency Management Agency:			
Emergency Food and Shelter National			
Board Program	83.523		<u>130,341</u>
U.S. Department of Housing and Urban			
Development:			
Pass-through programs from:			
City of Salinas			
Community Development Block Grant	14.219		15,000
City of Monterey			
Community Development Block Grant	14.219		12,000
County of Monterey			
Community Service Block Grant	93.569		<u>124,010</u>
			<u>151,010</u>
Total expenditures of federal awards			<u><u>\$ 1,297,860</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**FOOD BANK FOR MONTEREY COUNTY**

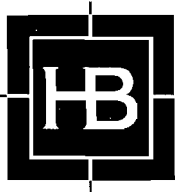
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**

**Note A. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes grant activity of the Food Bank for Monterey County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B. FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2010, the organization had food commodities totaling \$537,268 in inventory.



HUTCHINSON and

BLOODGOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

579 Auto Center Drive  
Watsonville, CA 95076-3727  
t 831.724.2441 f 831.761.2135  
www.hbllp.com

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Food Bank for Monterey County  
Salinas, California

The supplementary information shown on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our audit of the statement of activities and functional expenses was made for the purpose of forming an opinion on the statements taken as a whole. The statement of support, revenue, and expenses by program has been subjected to the procedures applied in the audit of the related basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the statement of activities and functional expenses taken as a whole.

*Hutchinson and Bloodgood LLP*

October 14, 2010

FOOD BANK FOR MONTEREY COUNTY

STATEMENT OF SUPPORT, REVENUE, AND EXPENSES BY PROGRAM

Year Ended June 30, 2010

With Comparative Audited Totals for the Year Ended June 30, 2009

	<u>PROGRAM SERVICES</u>				SUBTOTAL
	FOOD BANK	EFAP	EDUCATION AND ADVOCACY	FAMILY MARKET	
<b>SUPPORT AND REVENUE</b>					
Food donations	\$ 2,820,941	\$ 1,454,062	\$ --	\$ 2,018,291	\$ 6,293,294
Product fees	222,072	--	--	--	222,072
	<u>3,043,013</u>	<u>1,454,062</u>	<u>--</u>	<u>2,018,291</u>	<u>6,515,366</u>
Grants:					
Federal awards	176,233	235,269	--	6,362	417,864
Federal commodities	88,094	791,902	--	--	879,996
State and local government	5,000	--	--	--	5,000
Corporate and foundation	391,000	100,000	13,000	100,000	604,000
United Way	30,000	--	--	--	30,000
Contributions	1,029,753	50,000	--	--	1,079,753
Special events	74,712	--	--	--	74,712
Bequests	20,000	--	--	--	20,000
Interest and other income	9,751	--	--	--	9,751
Gain (loss) on disposal of equipment	(521)	--	--	--	(521)
Unrealized investment gain (loss)	1,957	--	--	--	1,957
	<u>1,957</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,957</u>
<b>TOTAL SUPPORT AND REVENUE - 2010</b>	<u>\$ 4,868,992</u>	<u>\$ 2,631,233</u>	<u>\$ 13,000</u>	<u>\$ 2,124,653</u>	<u>\$ 9,637,878</u>
<b>TOTAL SUPPORT AND REVENUE - 2009</b>	<u>\$ 5,930,888</u>	<u>\$ 2,291,983</u>	<u>\$ --</u>	<u>\$ 1,884,209</u>	<u>\$ 10,107,080</u>

SUPPORT SERVICES

ADMINIS- TRATION	FUND RAISING	SUBTOTAL	2010 TOTAL	2009 TOTAL
\$ --	\$ --	\$ --	\$ 6,293,294	\$ 7,697,295
--	--	--	222,072	250,472
--	--	--	6,515,366	7,947,767
--	--	--	417,864	240,244
--	--	--	879,996	241,754
--	--	--	5,000	6,500
--	--	--	604,000	527,163
--	--	--	30,000	35,000
1,029	--	1,029	1,080,782	1,048,891
--	--	--	74,712	41,429
--	--	--	20,000	6,000
19,519	--	19,519	29,270	21,323
--	--	--	(521)	500
840	--	840	2,797	(14,118)
<u>\$ 21,388</u>	<u>\$ --</u>	<u>\$ 21,388</u>	<u>\$ 9,659,266</u>	
<u>\$ (4,627)</u>	<u>\$ --</u>	<u>\$ (4,627)</u>		<u>\$ 10,102,453</u>

FOOD BANK FOR MONTEREY COUNTY

STATEMENT OF SUPPORT, REVENUE, AND EXPENSES BY PROGRAM

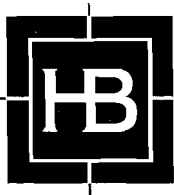
For the Year Ended June 30, 2010

With Comparative Audited Totals for the Year Ended June 30, 2009

	<u>PROGRAM SERVICES</u>				
	FOOD BANK	EFAP	EDUCATION AND ADVOCACY	FAMILY MARKET	SUBTOTAL
<b>EXPENSES</b>					
Donated food	\$ 2,996,216	\$ 1,454,062	\$ --	\$ 2,018,291	\$ 6,468,569
USDA commodities	88,094	791,902	--	--	879,996
Food costs	309,637	126,256	--	24,514	460,407
Salaries and wages	257,175	101,606	18,610	43,612	421,003
Employee benefits	70,821	27,274	4,014	9,776	111,885
Payroll taxes	22,229	8,735	1,627	3,636	36,227
Outside services	7,117	5,885	5,119	8,478	26,599
Supplies	15,916	28,979	667	6,945	52,507
Equipment expense	2,523	2,375	455	1,700	7,053
Telephone	3,499	1,620	177	1,252	6,548
Postage	557	6	487	40	1,090
Occupancy	110,163	76,906	2,323	26,997	216,389
Printing and advertising	2,727	992	260	1,741	5,720
Vehicle expense	34,879	25,229	--	11,651	71,759
Meetings, training and travel	274	53	923	103	1,353
Membership dues	--	--	--	--	--
Depreciation	15,252	10,118	337	5,919	31,626
Miscellaneous	1,152	630	959	1,109	3,850
<b>TOTAL EXPENSES - 2010</b>	<u>\$ 3,938,231</u>	<u>\$ 2,662,628</u>	<u>\$ 35,958</u>	<u>\$ 2,165,764</u>	<u>\$ 8,802,581</u>
<b>TOTAL EXPENSES - 2009</b>	<u>\$ 5,069,823</u>	<u>\$ 2,424,607</u>	<u>\$ 32,904</u>	<u>\$ 1,928,943</u>	<u>\$ 9,456,277</u>
Excess (deficiency) of revenue and support over expenses by program -2010	<u>\$ 930,761</u>	<u>\$ (31,395)</u>	<u>\$ (22,958)</u>	<u>\$ (41,111)</u>	<u>\$ 835,297</u>
Excess (deficiency) of revenue and support over expenses by program -2009	<u>\$ 861,065</u>	<u>\$ (132,624)</u>	<u>\$ (32,904)</u>	<u>\$ (44,734)</u>	<u>\$ 650,803</u>

SUPPORT SERVICES

ADMINIS- TRATION	FUND RAISING	SUBTOTAL	2010 TOTAL	2009 TOTAL
\$ --	\$ --	\$ --	\$ 6,468,569	\$ 7,866,729
--	--	--	879,996	241,754
--	--	--	460,407	409,218
85,731	100,300	186,031	607,034	609,259
13,564	15,376	28,940	140,825	134,684
7,800	8,721	16,521	52,748	54,157
28,481	54,422	82,903	109,502	99,007
1,053	371	1,424	53,931	41,814
602	388	990	8,043	10,571
1,671	922	2,593	9,141	8,390
1,538	19,139	20,677	21,767	23,134
8,652	4,617	13,269	229,658	221,620
586	65,076	65,662	71,382	71,808
--	--	--	71,759	68,021
1,483	1,270	2,753	4,106	5,582
8,016	60	8,076	8,076	10,751
852	834	1,686	33,312	42,361
1,804	1,540	3,344	7,194	5,993
<u>\$ 161,833</u>	<u>\$ 273,036</u>	<u>\$ 434,869</u>	<u>\$ 9,237,450</u>	
<u>\$ 185,037</u>	<u>\$ 283,539</u>	<u>\$ 468,576</u>		<u>\$ 9,924,853</u>
<u>\$ (140,445)</u>	<u>\$ (273,036)</u>	<u>\$ (413,481)</u>	<u>\$ 421,816</u>	
<u>\$ (189,664)</u>	<u>\$ (283,539)</u>	<u>\$ (473,203)</u>		<u>\$ 177,600</u>



**HUTCHINSON and**

**BLOODGOOD LLP**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

579 Auto Center Drive  
Watsonville, CA 95076 3727  
t 831.724.2441 f 831.761.2135  
www.hblp.com

**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***

To the Board of Directors  
Food Bank for Monterey County  
Salinas, California

We have audited the financial statements of Food Bank for Monterey County for the year ended June 30, 2010, and have issued our report thereon dated October 14, 2010. 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 of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Food Bank for Monterey County's internal control over financial reporting as a basis for designing our auditing procedures 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 for Monterey County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*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.

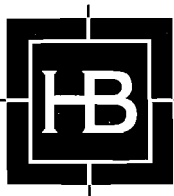
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food Bank for Monterey County's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 14, 2010



**HUTCHINSON and**

**BLOODGOOD LLP**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

579 Auto Center Drive  
Watsonville, CA 95076-3727  
t 831.724.2441 f 831.761.2136  
www.hbillp.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Food Bank for Monterey County  
Salinas, California

Compliance

We have audited the compliance of the Food Bank for Monterey County (a nonprofit organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Food Bank for Monterey County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Food Bank for Monterey County's management. Our responsibility is to express an opinion on the Food Bank for Monterey County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Food Bank for Monterey 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. Our audit does not provide a legal determination of the Food Bank for Monterey County's compliance with those requirements.

In our opinion, the Food Bank for Monterey County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The management of the Food Bank for Monterey County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Food Bank for Monterey County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, 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 ABC Organization'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, the board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

October 14, 2010

**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2010**

**SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Food Bank for Monterey County.
2. No reportable conditions material to the financial statements of the Food Bank for Monterey County were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Food Bank for Monterey County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs were reported.
5. The auditors' report on compliance for the major federal awards program for the Food Bank for Monterey County expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include: U.S. Department of Agriculture's Emergency Food Assistance Program for Administrative Costs and for Food Commodities; the CFDA numbers are 10.568 and 10.569, respectively.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Food Bank for Monterey County did not qualify as a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS**

None

**PRIOR YEAR AUDIT FINDINGS**

None