

FOOD BANK FOR MONTEREY COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2016

AND INDEPENDENT AUDITORS' REPORT

FOOD BANK FOR MONTEREY COUNTY

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HAYASHI | WAYLAND

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of ***Food Bank for Monterey County*** (a California nonprofit corporation) which comprise the statement of financial position as of June 30, 2016, 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 for Monterey County** as of June 30, 2016, 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

Report on Summarized Comparative Information

We have previously audited **Food Bank for Monterey County's** financial statements and we expressed an unmodified opinion on those financial statements in our report dated October 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Support, Revenue and Expenses by Program and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations 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 30, 2016 on our consideration of **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 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 30, 2016

Hayashi Wayland, LLP



FOOD BANK FOR MONTEREY COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,826,780	\$ 3,172,598
Investments	64,959	62,339
Grants and contracts receivable	400,035	70,875
Other receivables	49,236	159,239
Inventory	705,519	794,336
Prepaid expenses	<u>141,213</u>	<u>165,368</u>
Total current assets	<u>4,187,742</u>	<u>4,424,255</u>
PROPERTY AND EQUIPMENT–NET	568,435	318,989
CASH RESTRICTED FOR LONG–TERM PURPOSES	1,368,921	412,216
CERTIFICATES OF DEPOSIT	<u>606,458</u>	<u>617,554</u>
TOTAL ASSETS	<u>\$ 6,731,556</u>	<u>\$ 5,773,514</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 52,281	\$ 56,158
Vacation liability	60,060	45,174
Unearned revenue	<u>–</u>	<u>7,506</u>
Total current liabilities	<u>112,341</u>	<u>108,838</u>
NET ASSETS:		
Unrestricted net assets:		
Undesignated	2,961,922	4,398,911
Board designated, net fixed assets	712,191	318,989
Board designated, inventory, net of unearned revenue	705,519	427,594
Board designated, capital campaign	<u>743,421</u>	<u>386,716</u>
Total unrestricted net assets	5,123,053	5,532,210
Temporarily restricted net assets	<u>1,496,162</u>	<u>132,466</u>
Total net assets	<u>6,619,215</u>	<u>5,664,676</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,731,556</u>	<u>\$ 5,773,514</u>

See Notes to Financial Statements.

FOOD BANK FOR MONTEREY COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
SUPPORT AND REVENUE:				
General support and fees:				
Food donations	\$ 9,126,482	\$ —	\$ 9,126,482	\$ 7,512,701
Product fees	256,599	—	256,599	377,185
Cash contributions	1,050,932	—	1,050,932	1,495,989
In-kind contributions	11,529	—	11,529	814
Grants	395,404	1,643,158	2,038,562	1,372,378
Grants – United Way	38,732	—	38,732	71,238
Government contracts	1,337,590	—	1,337,590	2,191,580
Bequests	—	—	—	82,914
Bingo income	246,584	—	246,584	317,542
Interest and other income	9,118	—	9,118	8,683
Miscellaneous income	6,570	—	6,570	115,753
Investment gain (loss)	2,620	—	2,620	2,418
Gain (loss) on sale of assets	11,734	—	11,734	27,330
Donated assets	—	—	—	26,881
Net assets released from restrictions	<u>279,462</u>	<u>(279,462)</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>12,773,356</u>	<u>1,363,696</u>	<u>14,137,052</u>	<u>13,603,406</u>
EXPENSES:				
Food Bank Agency Clearinghouse	5,381,080	—	5,381,080	4,759,525
Emergency Food Assistance Program(EFAP)	3,770,782	—	3,770,782	3,574,208
Education and Advocacy	58,900	—	58,900	29,058
Family Market	3,188,999	—	3,188,999	2,719,115
Administration	602,781	—	602,781	549,438
Fundraising – General	<u>179,971</u>	<u>—</u>	<u>179,971</u>	<u>124,643</u>
Total expenses	<u>13,182,513</u>	<u>—</u>	<u>13,182,513</u>	<u>11,755,987</u>
Change in net assets	(409,157)	1,363,969	954,539	1,847,419
NET ASSETS, BEGINNING OF YEAR	<u>5,532,210</u>	<u>132,466</u>	<u>5,664,676</u>	<u>3,817,257</u>
NET ASSETS, END OF YEAR	<u><u>\$ 5,123,053</u></u>	<u><u>\$ 1,496,162</u></u>	<u><u>\$ 6,619,215</u></u>	<u><u>\$ 5,664,676</u></u>

See Notes to Financial Statements.

FOOD BANK FOR MONTEREY COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	PROGRAM SERVICES				SUPPORT SERVICES			2016 TOTAL	2015 TOTAL	
	FOOD BANK	EFAP	EDUCATION AND ADVOCACY	FAMILY MARKET	TOTAL PROGRAM SERVICES	ADMINIS- TRATION	FUND RAISING GENERAL			TOTAL SUPPORT SERVICES
EXPENSES:										
Donated food	\$ 4,018,702	\$ 2,203,167	\$ -	\$ 2,921,043	\$ 9,142,912	\$ -	\$ -	\$ -	\$ 9,142,912	\$ 7,581,272
USDA Commodities	38,161	912,136	-	693	950,990	-	-	-	950,990	1,434,209
Food costs	301,212	205,876	-	74,927	582,015	798	-	798	582,813	559,239
Salaries and wages	534,251	134,695	16,336	47,498	732,780	307,418	48,761	356,179	1,088,959	1,008,719
Employee benefits	160,008	41,430	3,092	10,504	215,034	85,447	8,510	93,957	308,991	216,537
Payroll taxes	38,966	10,113	489	4,949	54,517	21,967	3,663	25,630	80,147	74,879
Outside services	292	147	49	83	571	48,980	50	49,030	49,601	95,437
Supplies	33,563	35,441	3,751	11,070	83,825	16,994	4,487	21,481	105,306	90,547
Equipment expense	10,502	4,570	763	1,603	17,438	1,474	219	1,693	19,131	22,914
Telephone	4,874	2,028	236	1,446	8,584	1,742	1,286	3,028	11,612	10,220
Postage	-	-	-	-	-	609	19,891	20,500	20,500	19,251
Occupancy	111,360	127,346	32,475	46,933	318,114	69,644	34,320	103,964	422,078	293,776
Printing and advertising	2,225	4,926	146	2,669	9,966	3,506	43,401	46,907	56,873	71,338
Vehicle expense	84,678	42,905	-	15,267	142,850	(3,455)	200	(3,255)	139,595	122,416
Meetings, training and travel	3,444	-	125	-	3,569	11,248	11,460	22,708	26,277	18,521
Membership dues	28	-	-	-	28	23,390	848	24,238	24,266	23,301
Depreciation	38,814	46,002	1,438	50,314	136,568	4,313	2,875	7,188	143,756	105,330
In-kind expenses	-	-	-	-	-	5,529	-	5,529	5,529	-
Miscellaneous	-	-	-	-	-	3,177	-	3,177	3,177	8,081
TOTAL EXPENSES - 2016	\$ 5,381,080	\$ 3,770,782	\$ 58,900	\$ 3,188,999	\$ 12,399,761	\$ 602,781	\$ 179,971	\$ 782,752	\$ 13,182,513	
TOTAL EXPENSES - 2015	\$ 4,759,525	\$ 3,574,208	\$ 29,058	\$ 2,719,115	\$ 11,081,906	\$ 549,438	\$ 124,643	\$ 674,081		\$ 11,755,987

See Notes to Financial Statements.

FOOD BANK FOR MONTEREY COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received as revenue and support	\$ 3,798,201	\$ 4,935,983
Cash paid to suppliers and employees	(3,782,765)	(4,025,738)
Interest and dividends received	<u>9,118</u>	<u>8,683</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>24,554</u>	<u>918,928</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds (purchases) of certificates of deposit, net	11,096	146,229
Proceeds from sale of assets	55,066	147,760
Purchases of property and equipment	<u>(436,534)</u>	<u>(198,557)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(370,372)</u>	<u>95,432</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(345,818)	1,014,360
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,172,598</u>	<u>2,158,238</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,826,780</u>	<u>\$ 3,172,598</u>

FOOD BANK FOR MONTEREY COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2015)
(Continued)

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 954,539	\$ 1,847,419
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	143,756	105,330
Donated equipment	-	(26,881)
Donated stock	-	(1,723)
Unrealized gain on investments	(2,620)	(2,418)
(Gain) loss on disposal of assets	(11,734)	(27,330)
Donations received for long-term purposes	(956,705)	(412,216)
(Increase) decrease in:		
Grants and contract receivables	(329,160)	36,075
Agency receivables	110,003	(123,510)
Inventory	88,817	182,087
Prepaid expenses	24,155	(99,354)
Increase (decrease) in:		
Accounts payable	(3,877)	45,000
Vacation liability	14,886	11,835
Income taxes payable	-	(95,921)
Unearned revenue	(7,506)	(519,465)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 24,554</u>	 <u>\$ 918,928</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ -	\$ 225,438
Less equipment contributed	<u>-</u>	<u>(26,881)</u>
 Cash used to purchase property and equipment	 <u>\$ -</u>	 <u>\$ 198,557</u>

See Notes to Financial Statements.

FOOD BANK FOR MONTEREY COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – 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 to more than 30 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.

Basis of Presentation – The accompanying financial statements are presented using the accrual basis of accounting in accordance with generally accepted accounting principles. The net assets, revenues, gains and losses, and other support, expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Food Bank for Monterey County and changes therein are classified as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations. This includes any amounts designated by the Board for certain purposes.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Food Bank for Monterey County and/or the passage of time.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Method – Cash and in-kind contributions, gifts, and fund-raising are recognized as income when received. United States Department of Agriculture (USDA) cost reimbursement revenue, pledged contributions, interest and grants are recognized as income on the accrual basis. All expenses are recognized on the accrual basis.

Recognition of Donor Restrictions – Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions.”

Contributions – Contributions are recognized when the donor makes a contribution or 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 reclassification of restricted net assets to unrestricted net assets.

Unconditional Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are discounted at an appropriate discount commensurate with the risk involved. Amortization of the discount is recorded as additional contributions revenue.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less. It excludes cash which is held for long-term purposes.

Certificates of Deposit – Certificates of deposit consist of certificates with initial maturities of more than three months and are stated at fair value plus accrued interest, which equates to fair market value. The certificates bear interest at rates ranging from 1.5% to 4.5%.

Investments – Investments in marketable equity securities with readily determinable fair values are stated at fair value.

Grants and Contracts Receivable – Grants and contracts receivable are stated at face value. Management periodically reviews the collectability of its receivables and establishes an allowance for doubtful accounts as necessary. For the year ended June 30, 2016 the allowance was zero.

Prepaid Expenses – Prepaid amounts represent advance payments for goods or services that will be expensed in the periods in which the benefit will be used.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment – Property and equipment with a useful life of more than one year and an acquisition cost of \$1,000 or more are recognized at cost. Donated property is recorded at fair market value on the date received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years.

Compensated Absences – The Food Bank accrues a liability for vacation pay, which has been earned but not taken by employees as of year end. This liability is shown as vacation liability.

Functional Allocation of Expenses – The costs of providing program services and other activities have been presented on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 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.

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).

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements – The Food Bank applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets and liabilities. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

Management assess the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs are quoted market prices for identical instruments in an active market that the entity has the ability to access and are the most observable. Level 2 inputs include quoted market prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management’s judgment about the assumptions market participants would use in pricing the assets or liability.

The estimated fair value of the Food Bank’s short-term financial instruments, including cash certificates of deposit, receivables and payables, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2016:

<u>ASSETS</u>	<u>Level 1</u>
Common stocks	<u>\$ 64,959</u>

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Summarized Totals for June 30, 2015 – The financial information from the prior year is presented for summarized purposes only, and is not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with the audited financial statements as of June 30, 2015.

Subsequent Events – Subsequent events have been evaluated through September 30, 2016, which is the date the financial statements were available to be issued.

NOTE 2. CONCENTRATIONS OF CREDIT RISK

The Food Bank maintains accounts at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at these institutions exceed federally insured limits at various times. The amounts in excess of FDIC limits totaled \$3,338,029 at June 30, 2016. The Organization has not experienced any losses in such accounts and believes it was not exposed to any significant credit risk on cash and cash equivalents at June 30, 2016.

NOTE 3. PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give contributions for various purposes. The pledges have been discounted at a discount rate of 3.460%.

Pledges receivable at June 30, 2016 are as follows:

Sunlight Giving	\$ 400,000
Total pledges	<u>\$ 400,000</u>
Receivable in less than one year	\$ 200,000
Receivable in one to five years	<u>200,000</u>
Total pledges	400,000
Less discount to present value	<u>19,842</u>
Pledges receivable – net	<u>\$ 380,158</u>

NOTE 4. INVESTMENTS

Investments consist of common stocks reported at fair value which was \$64,959 for the year ended June 30, 2016.

NOTE 5. 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.

NOTE 5. INVENTORY (Continued)

Inventory and food distribution consists of three types – (1) Donated food valued at \$1.35 per pound at June 30, 2016, 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.

At June 30, 2016 inventories consisted of the following:

Donated Food	\$	205,673
Purchased Food		79,601
USDA Commodities		<u>420,245</u>
Total Inventory	\$	<u>705,519</u>

NOTE 6. PROPERTY AND EQUIPMENT – NET

Property and equipment consists of the following at June 30, 2016:

Vehicles	\$	764,954
Warehouse equipment		385,015
Office equipment		195,897
Leasehold improvements		<u>42,627</u>
Total		1,388,493
Less accumulated depreciation		<u>820,058</u>
Property and equipment – net	\$	<u>568,435</u>

Depreciation expense for the year ended June 30, 2016 amounted to \$143,756.

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 were as follows:

<u>Purpose</u>	<u>Balance 6/30/15</u>	<u>Added</u>	<u>Satisfied</u>	<u>Balance 6/30/16</u>
Community Foundation – Santa Cruz Family Market Support	\$ –	\$ 10,000	\$ 10,000	\$ –
Sunlight Giving 3 year grant (starts in July 2016)	–	600,000	–	600,000
Discount	–	(19,842)	–	(19,842)
EFAP	–	75,000	75,000	–
Capital Campaign Board members	25,500	–	–	25,500
Monterey Peninsula Foundation	–	100,000	–	100,000
Parkard Foundation	–	500,000	–	500,000
Feeding American Child Hunger grant	–	50,000	23,234	26,766
Walmart Foundation Child Hunger grant	–	50,000	–	50,000
Harden Foundation EFAP	–	50,000	50,000	–
Ralph Knox Foundation Kids Now	–	8,000	8,000	–
Yellow Brick Road EFAP	–	2,500	–	2,500
Northern Trust Charitable EFAP	–	10,000	10,000	–
Monterey Bay Central Labor Council Blue Shield Support	3,000	–	3,000	–
Packard Foundation Agency Clearinghouse/Education	15,807	–	15,807	–
Farm workers mobile pantry program	–	200,000	–	200,000
Bank of America Charitable Foundation EFAP	–	5,000	5,000	–
Monterey Peninsula Foundation Two year Family Market Support	88,159	–	76,921	11,238
Comerica Charitable Foundation EFAP	–	2,500	2,500	–
Total	<u>\$ 132,466</u>	<u>\$ 1,643,158</u>	<u>\$ 279,462</u>	<u>\$ 1,496,162</u>

NOTE 8. COMMUNITY FOUNDATION

The Community Foundation for Monterey County holds an endowment fund for the Food Bank in the amount of \$66,819 as of June 30, 2016. The balance is not reflected in the company's financial statements as the Food Bank has no ownership rights to the fund. The income distribution from these funds to the Food Bank amounted to \$3,119 for the fiscal year June 30, 2016.

NOTE 9. 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, 2016 were \$19,944.

NOTE 10. LEASES

The Food Bank leases its administrative and warehouse space under a lease agreement, The lease agreement, dated August 20, 2015. The lease term begins on October 1, 2015 and ends on September 30, 2016 with a fiscal annual rent of \$272,280. The Food Bank also leases additional warehouse space on a short-term basis as needed when donations received exceed the capacity of their warehouse.

Rent expense for the year ended June 30, 2016 was \$272,280.

On September 1, 2013, the Food Bank entered into two one-year lease agreements for a location to host Sunday and Thursday bingo games. The terms of the leases are identical, and call for a rental rate of \$1,482 per weekly session, payable monthly, for all sessions for the month. Upon expiration, the leases will convert to a month-to-month tenancy. Rents paid on both leases for the year ended June 30, 2016 totaled \$165,000.

NOTE 11. CONTRIBUTIONS IN-KIND

The estimated fair value of donated food, supplies and expert services received are recorded as contributions. During the year ended June 30, 2016, \$9,126,482 in food donations were received by the Food Bank and \$11,529 in marketing services, \$6,000 of which is in deposits and \$5,529 was recognized in administrative expense.

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, clean, and repack donated food. The estimated value of these services for the year ended June 30, 2016, based on the estimated dollar value of volunteer time calculated using California's minimum wage rates, amounts to \$327,587. The value of these services is not reflected in the financial statements.

NOTE 12. CONCENTRATIONS

The Food Bank received a significant amount of its grants funding from federal, state, and local governmental agencies. To a large extent, the continued efficient operation of the Food Bank depends on maintaining the current level of support from these agencies. A significant change in funding could impair the Food Bank's ability to operate the full scope of its current programs.

NOTE 13. SUBSEQUENT EVENTS

The Organization has begun a capital campaign and is in the process of obtaining a new site for continued operations and growth.

SUPPLEMENTARY INFORMATION

FOOD BANK FOR MONTEREY COUNTY
SCHEDULE OF SUPPORT, REVENUE AND EXPENSES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

	PROGRAM SERVICES					SUPPORT SERVICES			2016 TOTAL	2015 TOTAL
	FOOD BANK	EFAP	EDUCATION AND ADVOCACY	FAMILY MARKET	TOTAL PROGRAM SERVICES	ADMINIS- TRATION	FUND RAISING GENERAL	TOTAL SUPPORT SERVICES		
SUPPORT AND REVENUE:										
Food donations	\$ 4,002,272	\$ 2,203,167	\$ -	\$ 2,921,043	\$ 9,126,482	\$ -	\$ -	\$ -	\$ 9,126,482	\$ 7,512,701
Product fees	256,599	-	-	-	256,599	-	-	-	256,599	377,185
	<u>4,258,871</u>	<u>2,203,167</u>	<u>-</u>	<u>2,921,043</u>	<u>9,383,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,383,081</u>	<u>7,889,886</u>
Cash and in-kind contributions	1,050,932	-	-	-	1,050,932	11,529	-	11,529	1,062,461	1,496,803
Grants:										
Federal awards	44,000	273,638	-	-	317,638	7,953	-	7,953	325,591	388,135
Federal commodities	38,161	973,145	-	693	1,011,999	-	-	-	1,011,999	1,793,445
State and local government	-	-	-	-	-	-	-	-	-	10,000
Corporate and foundation	1,278,404	70,000	-	110,000	1,458,404	580,158	-	580,158	2,038,562	1,372,378
United Way	38,732	-	-	-	38,732	-	-	-	38,732	71,238
Bequests	-	-	-	-	-	-	-	-	-	82,914
Bingo income	-	-	-	-	-	-	246,584	246,584	246,584	317,542
Interest, other and miscellaneous income	9,565	-	-	-	9,565	6,123	-	6,123	15,688	124,436
Investment gain (loss)	2,620	-	-	-	2,620	-	-	-	2,620	2,418
Gain (loss) on sale of assets	11,734	-	-	-	11,734	-	-	-	11,734	27,330
Donated assets	-	-	-	-	-	-	-	-	-	26,881
TOTAL SUPPORT AND REVENUE - 2016	<u>\$ 6,733,019</u>	<u>\$ 3,519,950</u>	<u>\$ -</u>	<u>\$ 3,031,736</u>	<u>\$ 13,284,705</u>	<u>\$ 605,763</u>	<u>\$ 246,584</u>	<u>\$ 852,347</u>	<u>\$ 14,137,052</u>	
TOTAL SUPPORT AND REVENUE - 2015	<u>\$ 7,079,951</u>	<u>\$ 3,658,409</u>	<u>\$ -</u>	<u>\$ 2,445,190</u>	<u>\$ 13,183,550</u>	<u>\$ 102,314</u>	<u>\$ 317,542</u>	<u>\$ 419,856</u>		<u>\$ 13,603,406</u>
EXPENSES:										
Donated food	\$ 4,018,702	\$ 2,203,167	\$ -	\$ 2,921,043	\$ 9,142,912	\$ -	\$ -	\$ -	\$ 9,142,912	\$ 7,581,272
USDA Commodities	38,161	912,136	-	693	950,990	-	-	-	950,990	1,434,209
Food costs	301,212	205,876	-	74,927	582,015	798	-	798	582,813	559,239
Salaries and wages	534,251	134,695	16,336	47,498	732,780	307,418	48,761	356,179	1,088,959	1,008,719
Employee benefits	160,008	41,430	3,092	10,504	215,034	85,447	8,510	93,957	308,991	216,537
Payroll taxes	38,966	10,113	489	4,949	54,517	21,967	3,663	25,630	80,147	74,879
Outside services	292	147	49	83	571	48,980	50	49,030	49,601	95,437
Supplies	33,563	35,441	3,751	11,070	83,825	16,994	4,487	21,481	105,306	90,547
Equipment expense	10,502	4,570	763	1,603	17,438	1,474	219	1,693	19,131	22,914
Telephone	4,874	2,028	236	1,446	8,584	1,742	1,286	3,028	11,612	10,220
Postage	-	-	-	-	-	609	19,891	20,500	20,500	19,251
Occupancy	111,360	127,346	32,475	46,933	318,114	69,644	34,320	103,964	422,078	293,776
Printing and advertising	2,225	4,926	146	2,669	9,966	3,506	43,401	46,907	56,873	71,338
Vehicle expense	84,678	42,905	-	15,267	142,850	(3,455)	200	(3,255)	139,595	122,416
Meetings, training and travel	3,444	-	125	-	3,569	11,248	11,460	22,708	26,277	18,521
Membership dues	28	-	-	-	28	23,390	848	24,238	24,266	23,301
Depreciation	38,814	46,002	1,438	50,314	136,568	4,313	2,875	7,188	143,756	105,330
In-kind expenses	-	-	-	-	-	5,529	-	5,529	5,529	-
Miscellaneous	-	-	-	-	-	3,177	-	3,177	3,177	8,081
TOTAL EXPENSES - 2016	<u>\$ 5,381,080</u>	<u>\$ 3,770,782</u>	<u>\$ 58,900</u>	<u>\$ 3,188,999</u>	<u>\$ 12,399,761</u>	<u>\$ 602,781</u>	<u>\$ 179,971</u>	<u>\$ 782,752</u>	<u>\$ 13,182,513</u>	
TOTAL EXPENSES - 2015	<u>\$ 4,759,525</u>	<u>\$ 3,574,208</u>	<u>\$ 29,058</u>	<u>\$ 2,719,115</u>	<u>\$ 11,081,906</u>	<u>\$ 549,438</u>	<u>\$ 124,643</u>	<u>\$ 674,081</u>		<u>\$ 11,755,987</u>
Excess (deficiency) of revenue and support over expenses by program - 2016	<u>\$ 1,351,939</u>	<u>\$ (250,832)</u>	<u>\$ (58,900)</u>	<u>\$ (157,263)</u>	<u>\$ 884,944</u>	<u>\$ 2,982</u>	<u>\$ 66,613</u>	<u>\$ 69,595</u>	<u>\$ 954,539</u>	
Excess (deficiency) of revenue and support over expenses by program - 2015	<u>\$ 2,320,426</u>	<u>\$ 84,201</u>	<u>\$ (29,058)</u>	<u>\$ (273,925)</u>	<u>\$ 2,101,644</u>	<u>\$ (447,124)</u>	<u>\$ 192,899</u>	<u>\$ (254,225)</u>		<u>\$ 1,847,419</u>

See Notes to Financial Statements.

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 AUDITORS' REPORT

**Board of Directors
Food Bank for Monterey County
Monterey, 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 for Monterey County**, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Food Bank for Monterey 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 for Monterey County's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Food Bank for Monterey 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 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 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*.

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 30, 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 AUDITORS' REPORT

**Board of Directors
Food Bank for Monterey County
Monterey, California**

Report on Compliance for Each Major Federal Program

We have audited the **Food Bank for Monterey 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 the **Food Bank for Monterey County's** major federal programs for the year ended June 30, 2016. **Food Bank for Monterey 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the **Food Bank for Monterey 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the **Food Bank for Monterey County's** compliance.

Opinion on Each Major Federal Program

In our opinion, **Food Bank for Monterey 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 June 30, 2016.



Report on Internal Control Over Compliance

Management of **Food Bank for Monterey 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 for Monterey 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 for Monterey 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, material weaknesses may exist that have not been identified.

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 30, 2016

Hayashi Wayland, LLP



FOOD BANK FOR MONTEREY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBERS	FEDERAL EXPENDI- TURES
<u>U. S. Department of Agriculture:</u>			
Pass-through Agency:			
California Department of Social Services – The Emergency Food Assistance Program:			
Administrative Costs	10.568	G37023	\$ 137,084
Commodities	10.569	G37023	<u>950,990</u>
Total U. S. Department of Agriculture			<u>1,088,074</u>
<u>Department of Health and Human Services:</u>			
Pass-through Agency:			
Monterey County			
Community Services Block Grant	93.569	N/A	<u>90,077</u>
<u>U. S. Department of Homeland Security,</u>			
<u>Federal Emergency Management Agency:</u>			
Pass-through Agency:			
United Way of Monterey County			
Emergency Food and Shelter National Board Program	97.024	N/A	<u>44,000</u>
<u>U. S. Department of Housing and Urban Development:</u>			
Special Projects Grant Program			
Pass-through Agency:			
City of Salinas			
Community Development Block Grant	14.218	N/A	10,000
City of Seaside			
Community Development Black Grant	14.218	N/A	7,754
City of Monterey			
Community Development Block Grant	14.218	AG-5129	14,170
County of Monterey			
Community Development Block Grant	14.218	N/A	<u>15,000</u>
Total U. S. Department of Housing and Urban Development			<u>46,924</u>
Total expenditures of federal awards			<u>\$ 1,269,075</u>

See Notes to Schedule of Expenditures of Federal Awards.

FOOD BANK FOR MONTEREY COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Food Bank for Monterey County under programs of the federal government for the year ended June 30, 2016. 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 for Monterey County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Food Bank for Monterey 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 the cost principles contained in the Uniform Guidance, 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. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the Organization had food commodities totaling \$420,245 in inventory.

FOOD BANK FOR MONTEREY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

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)? No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.568	The Emergency Food Assistance Program – Administrative Costs
10.569	The Emergency Food Assistance Program – Commodities

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

FOOD BANK FOR MONTEREY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016
(Continued)

II. FINANCIAL STATEMENT FINDINGS

A. Reportable Conditions in Internal Control

There are no reportable condition findings.

B. Compliance Findings

There are no compliance findings.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no findings and questioned costs.

FOOD BANK FOR MONTEREY COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

There were no prior year audit findings.