

Audited Financial Statements

**The Foodbank of
Southern California**

June 30, 2011

Quigley & Miron

FOODBANK OF SOUTHERN CALIFORNIA
AUDITED FINANCIAL STATEMENTS
TABLE OF CONTENTS
June 30, 2011

Page
Number

AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6

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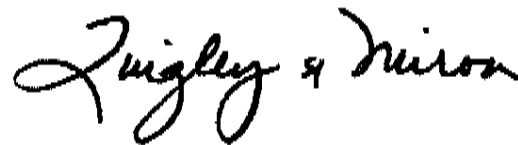
INDEPENDENT AUDITOR'S REPORT

Board of Directors
Foodbank of Southern California
Long Beach, California

We have audited the accompanying statement of financial position of Foodbank of Southern California (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Foodbank of Southern California's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foodbank of Southern California as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Los Angeles, California
September 14, 2011

FOODBANK OF SOUTHERN CALIFORNIA
STATEMENT OF FINANCIAL POSITION
June 30, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 440,051
Grant receivable	101,288
Accounts receivable, net of allowance for doubtful accounts of \$6,218	5,744
Food inventory	<u>731,914</u>

TOTAL CURRENT ASSETS 1,278,997

NON-CURRENT ASSETS

Property and equipment, net	1,724,585
Other assets	<u>1,000</u>

TOTAL NON-CURRENT ASSETS 1,725,585

TOTAL ASSETS \$ 3,004,582

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 2,928
Deferred revenue	<u>1,206</u>

TOTAL CURRENT LIABILITIES 4,134

NET ASSETS

Unrestricted	2,944,448
Permanently restricted	<u>56,000</u>

TOTAL NET ASSETS 3,000,448

TOTAL LIABILITIES AND NET ASSETS \$ 3,004,582

See notes to financial statements.

FOODBANK OF SOUTHERN CALIFORNIA
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Contributions	\$ 391,321	\$ 25,000	\$	\$ 416,321
Food contributions	66,560,875			66,560,875
Agency donations	70,479			70,479
Temporary Emergency Food Assistance Program (TEFAP)	703,578			703,578
Federal Emergency Management Agency (FEMA)	49,774			49,774
Interest income	577			577
Net assets released from restrictions	50,925	(50,925)		
TOTAL PUBLIC SUPPORT AND REVENUE	67,827,529	(25,925)		67,801,604
EXPENSES				
Program services				66,862,385
Food distribution	66,862,385			205,161
Food assistance	205,161			436,075
TEFAP	436,075			79,915
Brown Bag	79,915			50,678
FEMA	50,678			
TOTAL PROGRAM SERVICES	67,634,214			67,634,214
Supporting services				78,720
Management and general	78,720			134,091
Fundraising	134,091			
TOTAL SUPPORTING SERVICES	212,811			212,811
TOTAL EXPENSES	67,847,025			67,847,025
CHANGE IN NET ASSETS	(19,496)	(25,925)		(45,421)
NET ASSETS AT BEGINNING OF YEAR	2,963,944	25,925	56,000	3,045,869
NET ASSETS AT END OF YEAR	\$ 2,944,448	\$	\$ 56,000	\$ 3,000,448

See notes to financial statements.

FOODBANK OF SOUTHERN CALIFORNIA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services				Supporting Services			Total
	Food Distribution	Food Assistance	FEFAP	Brown Bag	FFRA	Management and General	Fundraising	
Salaries	\$ 81,161	\$ 172,683	\$ 34,537	\$ 24,537	\$ 34,537	\$ 22,449	\$ 56,886	345,367
Fringe Benefits	1,430	3,000	5,910	390	600	390	990	6,000
Payroll taxes	7,287	15,504	3,101	3,101	3,101	2,016	5,117	31,009
TOTAL SALARIES AND RELATED EXPENSES	90,878	191,187	36,238	36,238	36,238	24,865	63,093	382,376
Board meetings/conference	8,352	17,771	3,554	3,554	450	450	450	450
Depreciation	12,195	23,637	5,189	5,189	3,555	2,310	5,865	35,542
Development	2,253	4,194	959	959	7,499	8,385	15,884	56,803
Equipment rent	66,862,385	39,950	3,343	3,343	959	623	3,582	9,588
Food distribution	7,856	16,716	3,343	3,343	50,878	2,373	5,517	66,953,013
Insurance	782	1,665	332	332	3,364	703	3,661	33,432
Interest	782	1,665	332	332	703	216	3,661	703
Miscellaneous	7,862	16,728	3,345	3,345	3,465	216	5,518	6,441
Occupancy	8,959	19,062	3,612	3,612	2,734	2,174	6,280	33,154
Office supplies	16,807	17,937	187	187	3,812	2,478	6,280	38,123
Packing & Supplies	2,841	4,455	891	891	166	4,636	4,822	37,548
Postage	2,094	4,455	891	891	166	2,266	3,159	6,387
Printing	8,497	18,079	3,616	3,616	891	2,266	3,159	10,559
Professional services	7,492	15,941	3,188	3,188	3,616	76,333	61,949	112,141
Repairs and maintenance	356	1,819	151	151	3,188	2,972	5,260	31,881
Staff expense	2,243	4,772	554	554	151	98	249	2,875
Taxes and licenses	4,114	8,752	1,750	1,750	7,969	620	1,576	9,543
Telephone	18,166	18,166	4,037	4,037	1,750	1,138	2,888	37,504
Transportation	6,836	14,639	2,634	2,634	40,365	1,712	4,346	48,365
Travel	20,161	436,015	79,915	79,915	2,634	1,712	4,346	28,455
TOTAL EXPENSES	\$ 66,862,385	\$ 436,015	\$ 79,915	\$ 79,915	\$ 50,678	\$ 134,091	\$ 212,811	\$ 67,847,025

See notes to financial statements

FOODBANK OF SOUTHERN CALIFORNIA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011

OPERATING ACTIVITIES		
Change in net assets	\$	(45,421)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense		35,542
Changes in operating assets and liabilities:		
Grants receivable		18,732
Accounts receivable		6,689
Food inventory		301,510
Accounts payable and accrued liabilities		(20,425)
Deferred revenue		(49,774)
		<hr/>
	NET CASH PROVIDED BY OPERATING ACTIVITIES	246,853
INVESTING ACTIVITIES		
Purchase of property and equipment		<hr/> (483,427)
	NET CASH USED IN INVESTING ACTIVITIES	<hr/> (483,427)
	DECREASE IN CASH AND CASH EQUIVALENTS	(236,574)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		<hr/> 676,625
	CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<hr/> <hr/> \$ 440,051
SUPPLEMENTARY DISCLOSURES		
Income taxes paid	\$	<hr/>
Interest paid	\$	<hr/>

See notes to financial statements.

FOODBANK OF SOUTHERN CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization--Foodbank of Southern California (Foodbank) was formed to feed the hungry by soliciting surplus food and distributing these donations to various nonprofit agencies, and to educate the public about the nature of and solutions to the problem of hunger.

Financial Statement Presentation--Foodbank recognizes contributions as revenue in the period committed. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of Foodbank and changes therein are classified and reported as follows:

Unrestricted net assets--Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of Foodbank.

Temporarily restricted net assets--Net assets subject to donor-imposed stipulations that may or will be met either by actions of Foodbank and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets--Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of Foodbank's programs and operations, or for restricted purposes, as directed by the donor.

It is the policy of Foodbank to record restricted support as unrestricted support where the donor-restrictions have been satisfied within the reporting period.

Cash Equivalents--Foodbank considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Income Taxes--Foodbank is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, Foodbank has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Under Accounting Standards Codification (ASC) 740, *Income Taxes*, an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management

FOODBANK OF SOUTHERN CALIFORNIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

has evaluated its tax positions using the guidance of ASC Topic 450, *Contingencies*, and has concluded that a provision for a tax liability is not necessary at June 30, 2011.

Inventory--Inventory consists of food (canned, dry, frozen, fruits and vegetables) and is recorded at cost when purchased or at estimated fair market value when donated.

Property and Equipment--Land, building, furniture and equipment are stated at cost when purchased, or at estimated fair market value at the date of bequest or gift. It is Foodbank's policy to expense items under \$500. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, as follows:

Building	40 years
Transportation equipment	5 years
Furniture, fixtures and other equipment	3-5 years

Contributions--Contributions from the general public are recognized as revenue when the unconditional promise to give is made. Contributions in kind are valued at their estimated fair market value at the date of receipt, if determinable. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Donated Materials and Services--Foodbank receives donations of food which it distributes through various nonprofit agencies within the County of Los Angeles. Donations of food are recognized in the accompanying financial statements at fair market value at the date of donation. No amounts are reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in program services and fundraising activities.

Concentrations of Credit Risk--Financial instruments which potentially subject Foodbank to concentrations of credit risk consist of cash and cash equivalents, grants receivable, and accounts receivable. Foodbank places its cash and cash equivalents with a high credit quality financial institution where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. In the normal course of operations, such cash balances exceed the FDIC insurance limits. Grants and accounts receivable are due from individuals, corporations, and a governmental body well-known to Foodbank, with favorable past payment histories. Foodbank's management has assessed the credit risk associated with these receivables and has determined that the allowance for doubtful accounts at June 30, 2011 is adequate to cover future potential losses related to the receivables.

FOODBANK OF SOUTHERN CALIFORNIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B--RESTRICTIONS ON NET ASSETS

The permanent restrictions on net assets at June 30, 2011 require funds to remain available in perpetuity to finance charity food purchases.

NOTE C--RECEIVABLES

Grant receivable at June 30, 2011 consists of a receivable from a government agency.

Accounts receivable at June 30, 2011 consists of amounts due from agencies and organizations for food distributed to them.

NOTE D--FOOD INVENTORY

Food inventory activity during the year ended June 30, 2011 was as follows:

	<u>Pounds</u>	<u>Dollar Value</u>
Beginning food inventory	654,066	\$ 1,033,424
Food received during the year	41,600,547	66,560,875
Food distributed during the year	<u>(41,797,167)</u>	<u>(66,862,385)</u>
ENDING FOOD INVENTORY	<u>457,446</u>	<u>\$ 731,914</u>

Management has estimated the value of donated food at \$1.60 per pound during the year ended June 30, 2011.

Food donated to Foodbank is capitalized as inventory and shown on the accompanying financial statements as an unrestricted contribution. Upon distribution, the food inventory is recorded as a decrease to unrestricted net assets.

FOODBANK OF SOUTHERN CALIFORNIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE E--PROPERTY AND EQUIPMENT, NET

Net property and equipment at June 30, 2011 consists of the following:

Land	\$ 606,204
Building and improvements	1,333,352
Transportation equipment	258,297
Furniture, fixtures and other equipment	<u>38,123</u>
	2,235,976
Less accumulated depreciation	<u>(511,391)</u>
NET	<u>\$ 1,724,585</u>

NOTE F--COMMITMENTS AND CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board of Directors (Board) deems the contingency remote, since by accepting a grant and its terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

NOTE G--ENDOWMENT FUND

Foodbank's endowment consists of one donor-restricted endowment gift (Fund). Foodbank's Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Foodbank classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Foodbank with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Foodbank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund

FOODBANK OF SOUTHERN CALIFORNIA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

(3) General economic conditions
 NOTE G--ENDOWMENT FUND--Continued

- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Activity in the endowment-related accounts during the year ended June 30, 2011 follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2010	\$	\$ 56,000	\$ 56,000
Interest income	44		44
Appropriation of endowment assets for expenditure	(44)		(44)
ENDOWMENT NET ASSETS AT JUNE 30, 2011	\$	\$ 56,000	\$ 56,000

The Fund is invested in cash equivalents to limit market risk; all income earned by the Fund is appropriated for food purchases on an annual basis.

NOTE H--SUBSEQUENT EVENTS

Subsequent events were evaluated through September 14, 2011, which is the date the financial statements were available to be issued.