



**FOODBANK OF  
SANTA BARBARA COUNTY**

**FINANCIAL STATEMENTS**  
**June 30, 2012**  
**And For The Year Then Ended**



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Foodbank of Santa Barbara County:

We have audited the accompanying statement of financial position of Foodbank of Santa Barbara County (Organization), a California nonprofit corporation, as of June 30, 2012, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. Information for the year ended June 30, 2011 is presented for comparative purposes only and was extracted from financial statements for that year, on which an unqualified opinion dated January 24, 2012 was expressed.

We conducted our audit in accordance with generally accepted auditing standards 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 our 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 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 Organization as of June 30, 2012, and changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, on our consideration of Foodbank of Santa Barbara County's internal control over financial reporting and on 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 integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Foodbank of Santa Barbara 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

September 24, 2012

*Stoltey & Associates*

**Foodbank of Santa Barbara County**  
**Statement of Financial Position**  
**June 30, 2012**  
**(with 2011 comparative totals)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 280,034	\$ -	\$ -	\$ 280,034	\$ 128,480
Investments	-	-	-	-	288,011
Accounts receivable, net (note 4)	72,351	-	-	72,351	63,781
Grants and contracts receivable (note 5)	125,565	-	-	125,565	52,873
Pledges receivable (note 6)	-	62,468	-	62,468	81,511
Prepaid expenses and other assets	13,758	-	-	13,758	39,725
Food inventory	292,710	184,574	-	477,284	538,900
<b>Total Current Assets</b>	<u>784,418</u>	<u>247,042</u>	<u>-</u>	<u>1,031,460</u>	<u>1,193,281</u>
Fixed Assets, net (note 7)	<u>2,417,848</u>	<u>-</u>	<u>-</u>	<u>2,417,848</u>	<u>2,589,629</u>
<b>Other Assets</b>					
Cash designated for operating reserve (note 9)	223,815	-	-	223,815	336,825
Investments designated for operating reserve (note 9)	327,731	-	-	327,731	111,144
Cash held in endowment (note 14)	-	-	5,379	5,379	5,379
Pledges receivable (note 6)	-	252,972	-	252,972	297,123
<b>Total Other Assets</b>	<u>551,546</u>	<u>252,972</u>	<u>5,379</u>	<u>809,897</u>	<u>750,471</u>
<b>Total Assets</b>	<u>\$ 3,753,812</u>	<u>\$ 500,014</u>	<u>\$ 5,379</u>	<u>\$ 4,259,205</u>	<u>\$ 4,533,381</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued expenses	\$ 177,004	\$ -	\$ -	\$ 177,004	\$ 156,881
Deferred revenue (note 8)	20,692	-	-	20,692	21,341
<b>Total Current Liabilities</b>	<u>197,696</u>	<u>-</u>	<u>-</u>	<u>197,696</u>	<u>178,222</u>
<b>Net Assets</b>					
Unrestricted:					
Undesignated	3,004,570	-	-	3,004,570	3,264,550
Designated (note 9)	551,546	-	-	551,546	447,969
Temporarily restricted (note 10)	-	500,014	-	500,014	637,261
Permanently restricted	-	-	5,379	5,379	5,379
<b>Total Net Assets</b>	<u>3,556,116</u>	<u>500,014</u>	<u>5,379</u>	<u>4,061,509</u>	<u>4,355,159</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,753,812</u>	<u>\$ 500,014</u>	<u>\$ 5,379</u>	<u>\$ 4,259,205</u>	<u>\$ 4,533,381</u>

The accompanying notes are an integral part of this financial statement

**Foodbank of Santa Barbara County**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**  
**(with 2011 comparative totals)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Support</b>					
Contributions from public	\$ 1,732,305	\$ -	\$ -	\$ 1,732,305	\$ 1,736,367
Foundation grants	916,805	-	-	916,805	659,025
Government grants	307,629	-	-	307,629	334,544
In-Kind food contributions	10,126,743	606,005	-	10,732,748	13,002,393
In-kind contributions	17,049	-	-	17,049	-
Fundraising events - gross revenue	294,884	-	-	294,884	239,868
less costs of direct benefits to donors of \$54,622	(294,884)	-	-	-	-
Total Support	<u>13,395,415</u>	<u>606,005</u>	<u>-</u>	<u>14,001,420</u>	<u>15,972,197</u>
<b>Revenue</b>					
Agency fees	483,139	-	-	483,139	494,328
Interest	15,188	-	-	15,188	5,728
Loss on sale of investments	(2,582)	-	-	(2,582)	-
Unrealized loss on investments	(9,094)	-	-	(9,094)	-
Other revenue	6,731	-	-	6,731	6,870
Total Revenue	<u>493,382</u>	<u>-</u>	<u>-</u>	<u>493,382</u>	<u>506,926</u>
<b>Revenues, Gains and Other Support</b>	<u>13,888,797</u>	<u>606,005</u>	<u>-</u>	<u>14,494,802</u>	<u>16,479,123</u>
Net assets released from restrictions	<u>743,252</u>	<u>(743,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>					
<b>Program Expenses:</b>					
Agency services	6,037,567	-	-	6,037,567	7,065,768
Free produce program	5,118,081	-	-	5,118,081	6,001,984
Program services	2,291,481	-	-	2,291,481	2,687,220
<b>Total Program Services</b>	<u>13,447,129</u>	<u>-</u>	<u>-</u>	<u>13,447,129</u>	<u>15,754,972</u>
<b>Supporting Services:</b>					
Management and general	413,083	-	-	413,083	424,309
Fundraising	928,240	-	-	928,240	842,090
<b>Total Supporting Services</b>	<u>1,341,323</u>	<u>-</u>	<u>-</u>	<u>1,341,323</u>	<u>1,266,399</u>
<b>Total Expenses</b>	<u>14,788,452</u>	<u>-</u>	<u>-</u>	<u>14,788,452</u>	<u>17,021,371</u>
Change in net assets	(156,403)	(137,247)	-	(293,650)	(542,248)
Net assets, beginning of year	3,712,519	637,261	5,379	4,355,159	4,897,407
Net assets, ending of year	<u>\$ 3,556,116</u>	<u>\$ 500,014</u>	<u>\$ 5,379</u>	<u>\$ 4,061,509</u>	<u>\$ 4,355,159</u>

The accompanying notes are an integral part of this financial statement

**Foodbank of Santa Barbara County**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2012**  
**(with 2011 comparative totals)**

	Program				Supporting Services		Program & Supporting Services	Program & Supporting Services
	Agency Services	Free Produce Program	Program Services	Total	General and Admin.	Fund Raising	2012	2011
							Grand Total Expenses	Grand Total Expenses
<b>Salaries and Related Expenses</b>								
Salaries	429,254	366,808	164,228	960,290	182,117	406,982	1,549,389	1,322,251
Payroll taxes	32,203	27,519	12,321	72,043	13,663	30,532	116,238	100,462
Employee Benefits	69,097	59,045	26,436	154,578	29,316	65,512	249,406	202,994
Total Salaries & Related Expenses	530,554	453,372	202,985	1,186,911	225,096	503,026	1,915,033	1,625,707
<b>Cost of Goods Sold</b>								
COGS - Purchased Food	330,864	282,954	126,685	740,503	-	-	740,503	920,125
COGS - Donated Food	4,556,317	3,849,183	1,723,364	10,128,864	-	-	10,128,864	12,217,799
COGS - USDA	283,348	242,847	108,728	634,923	-	-	634,923	838,953
Total Cost of Goods Sold	5,170,529	4,374,984	1,958,777	11,504,290	-	-	11,504,290	13,976,877
<b>Other Expenses</b>								
Freight Inbound	49,074	41,902	18,763	109,739	-	-	109,739	128,820
Professional and Contract Services	5,277	4,509	2,019	11,805	28,908	97,549	138,262	91,062
Warehouse Expenses	75,692	64,635	28,939	169,266	11,811	8,252	189,329	238,960
General Office Expenses	23,217	19,824	8,876	51,917	40,488	34,536	126,941	150,540
Utilities	31,227	26,665	11,938	69,830	1,268	2,191	73,289	76,333
Travel and Meeting Expenses	13,103	11,190	5,010	29,303	30,182	26,002	85,487	79,566
Fundraising Expenses	-	-	-	-	4,556	207,092	211,648	208,682
Insurance, Dues and Miscellaneous	15,382	15,456	6,920	37,758	25,745	3,860	67,363	62,652
Marketing Development and Materials	-	-	-	-	-	10,567	10,567	22,235
Business Expenses	-	-	-	-	39,293	29,429	68,722	73,174
<b>Total Other Expenses</b>	212,972	184,181	82,465	479,618	182,251	419,478	1,081,347	1,132,024
Depreciation expense	123,512	105,544	47,254	276,310	5,736	5,736	287,782	286,763
<b>Total Functional Expenses</b>	6,037,567	5,118,081	2,291,481	13,447,129	413,083	928,240	14,788,452	17,021,371

The accompanying notes are an integral part of this financial statement

**Foodbank of Santa Barbara County**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**  
**(with 2011 comparative totals)**

	<u>2012</u> <u>Total</u>	<u>2011</u> <u>Total</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (293,650)	\$ (542,248)
Adjustments to reconcile increase in net assets to cash used for operating activities:		
Depreciation	287,782	286,763
Realized loss on sale of investments	2,582	-
Unrealized gain on investments	9,094	-
Changes in:		
Value of inventory	61,616	19,537
Accounts receivable	(8,570)	(36,059)
Grants and contracts receivable	(72,692)	(30,167)
Pledges receivable	63,194	103,105
Prepaid and other assets	25,967	(6,651)
Accounts payable and accrued expenses	20,123	22,442
Deferred revenue	(649)	5,910
Net cash from operating activities	<u>94,797</u>	<u>(177,368)</u>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sale of investments	288,000	94,475
Purchase of investments	(228,252)	-
Acquisition of property and equipment	<u>(116,001)</u>	<u>(141,317)</u>
Net cash from investing activities	<u>(56,253)</u>	<u>(46,842)</u>
<b>Cash Flows From Financing Activities:</b>		
Increase in board designated operating reserve	<u>113,010</u>	<u>(281,443)</u>
Net cash from investing activities	<u>113,010</u>	<u>(281,443)</u>
Net change in cash and cash equivalents	151,554	(505,653)
Cash and cash equivalents at Beginning of Year	<u>128,480</u>	<u>634,133</u>
Cash and cash equivalents at Ending of Year	<u>\$ 280,034</u>	<u>\$ 128,480</u>

The accompanying notes are an integral part of this financial statement

**FOODBANK OF SANTA BARBARA COUNTY**  
**Notes to Financial Statements**  
**June 30, 2012**

**(1) ORGANIZATION**

Foodbank of Santa Barbara County (the Organization) is a California nonprofit corporation formed in 1987, which provides nourishment to those in need by acquiring and distributing safe nutritious food via local agencies and its own direct programs. The Foodbank is transforming the health of Santa Barbara County by building a long-term solution to hunger related issues through food literacy and self-reliance. All Foodbank uniquely designed programs include components of nutrition education.

Direct programs include:

- Mobile Food Pantry Program – Provides reliable countywide assistance to families by distributing perishable and nonperishable food to underserved communities.
- Mobile Farmer’s Market Program – Rapidly distributes fresh produce to low –income families through a farmer’s market-like setting.
- Kids Farmer Market Program – teaches children through food literacy with a variety of fresh fruit and vegetables through hands on nutrition education.
- Brown Bag Program – Provides low-income seniors with two bags of groceries and fresh produce twice a month, supplementing their food costs. Volunteers deliver the bags to homebound seniors.
- Backpack Program – Provides school children who participate in free and reduced lunch programs with a backpack full of nutritious food to take home over the weekends.
- CalFresh Outreach – A bilingual community outreach coordinator conducts food stamp recruitment and assists with the application process, while offering nutrition education.

The Organization is supported by federal, state and local grants, as well as support from the general public.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles 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 statement and reported amounts of revenues and expenses for each year. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

Unrestricted net assets - Unrestricted net assets are not subject to donor-imposed stipulations. All expenses, revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. The Board of Directors has designated \$576,558 as a long-term strategic reserve.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less.

#### Recognition of Donor and Grant Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All restricted support is recorded as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted in the statement of activities under the heading net assets released from restriction.

#### Donated Materials and Services

During the year ended June 30, 2012 the Organization received approximately 18,000 hours of volunteer service. The volunteers served as Board members and/or helping with the Organization carry out its direct programs. This volunteer time is critical to the success of the Organization. However, as this volunteer service does not meet the recognition



requirements of generally accepted accounting principles, no amount has been recorded in these financial statements.

Donated materials consist primarily of food. The Organization records the fair market value of the donated food as a contribution at the time of receipt. The fair market value of the donated food is based on Feeding America (formerly known as Second Harvest) guidelines.

#### Property and Equipment

Property and equipment which is purchased or constructed is stated at cost; assets acquired by gift or bequest are stated at fair value at the date of acquisition. The Organization uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

<u>Asset</u>	<u>Life</u>
Improvements	5 – 20 Years
Structures	7 – 30 Years
Furniture and Equipment	5 – 10 Years
Vehicles	5 – 7 Years

Normal repair and maintenance expenses and equipment replacement costs are expensed as incurred.

#### Contributions Receivable (Pledges)

Unconditional promises to give (pledges) are recorded as contribution income and as receivables. Long-term pledges are discounted to present value using a discount rate commensurate with the risk involved. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fund-raising activity.

Conditional pledges are recognized when the conditions on which they depend are substantially met.

#### Deferred Revenue

Amounts collected but unearned are reflected in the accompanying financial statements as deferred revenue.

#### Investments

Investments in marketable equity and debt securities are stated at market value. All gains and losses on investments are reported as increases or decreases to unrestricted net assets unless required by donors to be reinvested in restricted net assets.

## Income Taxes

The Organization is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 27301d of the California Revenue and Taxation Code. The Organization is not considered a private foundation.

In June 2006, the Financial Accounting Standards Board issued ASC 740-10 (formerly known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes), which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Organization has adopted ASC 740-10. There was no impact to the Organization's financial statements as a result of the implementation of ASC 740-10.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant estimated used in preparing these financial statements include:

- Allocation of certain expenses by function
- Value of donated rental space and food
- Depreciable lives and estimated residual value of property and equipment
- Allowance for uncollectible accounts, grants, contracts and pledges receivable
- Present value of pledges receivable

It is at least reasonably possible that the significant estimates will change within the next year.

## Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized by function in the Statement of Functional Expenses. Direct costs are charged directly to the appropriate program. Joint costs such as insurance, rent and facility maintenance are allocated by using the direct costs of each program and supporting services. The allocations are based on current data.

## Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges)

derived from such assets are less than their carrying values. Management believes no such impairment occurred during the year ended June 30, 2012.

### Reclassifications

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

### (3) **INVESTMENTS**

The Organization's investments consist exclusively of assets held at the Santa Barbara Foundation Agency Endowment Fund. The value of the investments is determined by the market value of the underlying investment instruments. In accordance with generally accepted accounting principles, the Organization's investments are reported as market value.

### (4) **ACCOUNTS RECEIVABLE**

Accounts receivable consist of amounts owed to the Organization by local agencies who have purchased food for distribution. Based on historical collection trends, management believes all amount are fully collectible and thus has not established a reserve for uncollectible accounts receivable.

### (5) **GRANTS/CONTRACTS RECEIVABLE**

Grants and contracts receivable are primarily from government sources and are considered to be fully collectible by management.

### (6) **PLEDGES RECEIVABLE**

#### In-Kind Leases

The Organization has a continuing long-term lease which expires in 2015 with the County of Santa Barbara at no cost for its Santa Barbara warehouse and office. During the year ended June 30, 2004 the Organization entered into a continuing long-term non-cancelable lease which expires in 2023 with the County of Santa Barbara at no cost for its Santa Maria warehouse and office. The fair value of the leaseholds to the Organization represents an in-kind donation of rental space. The present value of donated space to be used in future periods is recorded as a pledge receivable. As the lease arrangements are non-cancelable and there are no lease charges, the Organization deems the pledges to be fully collectible.

Pledges receivable for the in-kind leases at June 30, 2012 and 2011 are expected to be collected as follows:

	<u>2012</u>	<u>2011</u>
Within one year	\$ 61,200	\$ 61,200
Within two to five years	176,600	213,800
Thereafter	<u>156,000</u>	<u>180,000</u>
Total	393,800	455,000
Discount to reduce to present value	<u>(79,628)</u>	<u>(96,677)</u>
 Present Value of Pledges Receivable	 <u>\$ 314,172</u>	 <u>\$ 358,323</u>

#### Other Pledges Receivable

The Organization has recorded unconditional pledges receivable totaling \$1,268 at June 30, 2012. The unconditional pledges primarily relate to the operation of the Foodbank programs. The Organization considers the pledges fully collectible; therefore, no provision has been made for uncollectible pledges receivable. The pledges receivable are scheduled to be received within 1 year.

#### (7) FIXED ASSETS

Fixed assets at June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 892,743	\$ 892,743
Structures	1,937,999	1,937,999
Furniture and Equipment	1,235,680	1,125,489
Vehicles	485,257	490,580
Construction in progress	<u>-</u>	<u>8,098</u>
Total Property and Equipment	4,551,679	4,454,909
Accumulated Depreciation	<u>(2,133,831)</u>	<u>(1,865,280)</u>
	 <u>\$ 2,417,848</u>	 <u>\$ 2,589,629</u>

#### (8) DEFERRED REVENUE

Deferred revenue consists of monies received in advance on grant awards that are considered to be exchange transactions, the expenditures for which will be incurred after June 30, 2012.

#### (9) BOARD DESIGNATED NET ASSETS

As part of the Organization's strategic plan, the Board of Directors has established an operating reserve. The operating reserve consists of both

cash and investments. As of June 30, 2012 the reserve consisted of the following amounts:

Cash	\$ 223,815
Investments	<u>327,731</u>
Total Board Designated Operating Reserves	<u>\$ 551,546</u>

(10) **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2012 were available for the following purposes:

Government Food Program – USDA Food Inventory	\$ 184,574
Unrestricted Pledges and grants receivable	<u>315,440</u>
Total	<u>\$ 500,014</u>

(11) **CONTINGENT LIABILITIES**

Government Grants and Contracts

The Organization receives a number of grants from various governmental agencies. These grants are subject to audit by the granting agencies as to allowable costs paid with government funds. The Organization would be liable for any government funds expended during year ended June 30, 2012 should those costs charged to the grants be disallowed.

(12) **RETIREMENT PLANS**

Beginning June 1, 2009, the Organization initiated a new 403(b) annuity plan with T. Rowe Price. All full time employees and part time employees working a minimum of 20 hours per week are eligible for the plan. The Organization matches up to 3% of salary for employees who are employed at December 31, of each year. The Organization accrued \$38,891 and \$ 14,985 for the employer match contribution to the plan at June 30, 2012 and 2011. The employer contribution amount is paid every January.

(13) **CONCENTRATIONS OF CREDIT RISK**

A significant portion of the Organization's revenues is derived from government grants and contracts.

Individual donors are primarily from Santa Barbara County, as are the clients of the Organization.

**(14) ENDOWMENT**

The Organization's endowment has been established for a variety of programs. Its endowment consists of donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Organization 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 the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization 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
- (3) General economic conditions
- (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.

Endowment net asset composition by type of fund as of June 30, 2012

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,379</u>	<u>\$5,379</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 5,379	\$ 5,379
Contributions	-	-	-	-
Investment income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, ending of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,379</u>	<u>\$ 5,379</u>

### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no endowment funds with deficiencies at June 30, 2012.

### **Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on long term certificates of deposit to achieve its long-term return objectives within prudent risk constraints.

### **NOTE 13 SUBSEQUENT EVENTS**

Management has evaluated events through September 24, 2012 which is the date the financial statements were available to be issued. Management has determined that no subsequent event requiring disclosure or significantly impacting disclosure has occurred.

***SUPPLEMENTAL SCHEDULES***



**Foodbank of Santa Barbara County**  
**Schedule of Expenditures of Federal Awards under Circular A-133**  
**Year Ended June 30, 2012**

<b>Federal Grantor/Pass Through Grantor</b>	<b>Federal CFDA Number</b>	<b>Disbursements Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>California Health &amp; Welfare Agency</b>		
Passed Through Department of Social Services		
Emergency Food Assistance Program (Food Commodities) *	10.569	\$ 634,487
Emergency Food Assistance Program (Administrative Costs) *	10.568	71,224
Subtotal U.S. Department of Agriculture		<u>705,711</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
<b>Passed through United Way of America</b>		
Emergency Food and Shelter National Board Program	97.024	<u>39,604</u>
<b>U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT</b>		
<b>Community Development Block Grants</b>		
Passed through the City of Santa Maria:		
Community Development Block Grant/Entitlement Grants	14.218	11,250
Passed through the City of Lompoc:		
Community Development Block Grant/Entitlement Grants	14.218	6,460
Passed through the County of Santa Barbara		
Community Development Block Grant/Entitlement Grants	14.218	40,965
Passed through the City of Santa Barbara		
Community Development Block Grant/Entitlement Grants	14.218	38,813
Passed through City of Goleta:		
Community Development Block Grant/Entitlement Grants	14.218	4,895
Subtotal Community Development Block Grants		<u>102,383</u>
Total Federal Grants		<u>\$ 847,698</u>

\* - tested as a major program

See independent auditors' report



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
Foodbank of Santa Barbara County

**Compliance**

We have audited Foodbank of Santa Barbara County's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Foodbank of Santa Barbara County's major federal programs for the year ended June 30, 2012. Foodbank of Santa Barbara County's major federal programs are identified in the summary of auditor's 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 Foodbank of Santa Barbara County's management. Our responsibility is to express an opinion on Foodbank of Santa Barbara 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 Foodbank of Santa Barbara 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 Foodbank of Santa Barbara County's compliance with those requirements

In our opinion, Foodbank of Santa Barbara County complied, in all material respects, with the 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, 2012.

### **Internal Control Over Compliance**

Management of Foodbank of Santa Barbara 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 Foodbank of Santa Barbara County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 Foodbank of Santa Barbara 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.

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 management, others within the Foodbank of Santa Barbara County, the Board of Directors, 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

Los Olivos, California

Stoltey & Associates

September 24, 2012



**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 of  
Foodbank of Santa Barbara County

We have audited the financial statements of Foodbank of Santa Barbara County (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 24, 2012. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Foodbank of Santa Barbara 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 Foodbank of Santa Barbara 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Foodbank of Santa Barbara 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 management, others within the entity, 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.

Los Olivos, California

September 24, 2012

*Stoltey & Associates*

**FOODBANK OF SANTA BARBARA COUNTY**

**Schedule of Findings and Questioned Costs  
June 30, 2012**

1. Summary of Auditors' Results

The results of our tests disclosed no instances of noncompliance, which were material to the financial statements.

- Type of report issued on basic financial statements: Unqualified
  
- Type of report on compliance with requirements applicable to major programs: Unqualified
  
- Major programs: CFDA # 10.568  
CFDA # 10.569
  
- Type A programs dollar threshold: Expenditures of federal Awards in excess of \$300,000
  
- The Organization qualified as a low risk auditee

2. Findings Related to the Financial Statements

None

3. Findings and Questioned Costs for Federal Awards

None

**FOODBANK OF SANTA BARBARA COUNTY**

**Summary Schedule of Prior Year Findings and Recommendations**

No prior year findings.