

**FOOD BANK FOR MONTEREY COUNTY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2019

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, 2019, 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, 2019, 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 September 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 Function 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 9, 2019 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 9, 2019

*Hayashi Wayland, LLP*



**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2019**  
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2018)

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,759,626	\$ 1,385,118
Investments	132,671	198,596
Agency receivables	184,012	115,236
Grant and contract receivables	400,691	273,074
Inventory	1,147,573	1,225,312
Prepaid expenses	<u>65,294</u>	<u>107,129</u>
Total current assets	<u>3,689,867</u>	<u>3,304,465</u>
PLEDGE RECEIVABLE	460,218	-
PROPERTY AND EQUIPMENT- NET	11,640,731	9,779,161
CASH RESTRICTED TO SERVICE DEBT	<u>307,000</u>	<u>463,893</u>
TOTAL ASSETS	<u>\$ 16,097,816</u>	<u>\$ 13,547,519</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 7,227	\$ 11,227
Vacation liability	77,924	81,019
Current portion of loan payable	<u>148,174</u>	<u>5,775,221</u>
Total current liabilities	<u>233,325</u>	<u>5,867,467</u>
LONG-TERM LIABILITIES –		
Loan payable	<u>7,291,867</u>	<u>-</u>
Total liabilities	<u>7,525,192</u>	<u>5,867,467</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	2,508,628	1,991,260
Held in property and equipment – net, net of related debt	4,200,690	4,003,940
Held in inventory	<u>1,147,573</u>	<u>1,225,312</u>
Total without donor restrictions	7,856,891	7,220,512
With donor restrictions	<u>715,733</u>	<u>459,540</u>
Total net assets	<u>8,572,624</u>	<u>7,680,052</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,097,816</u>	<u>\$ 13,547,519</u>

See Notes to Financial Statements.

**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2018)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>SUPPORT AND REVENUE:</b>				
General support and fees:				
Food donations	\$ 10,286,400	\$ —	\$ 10,286,400	\$ 11,248,154
Product fees	280,136	—	280,136	224,042
Cash contributions	1,423,694	—	1,423,694	1,294,994
Donated assets	73,912	—	73,912	3,388
Grants	1,213,030	643,218	1,856,248	775,842
Government contracts	2,145,268	—	2,145,268	1,845,103
Bequests	23,253	—	23,253	306,074
Bingo income	525,060	—	525,060	182,171
Investment return	5,068	—	5,068	13,124
Miscellaneous income	25,360	—	25,360	3,683
Gain (loss) on sale of assets	(7,694)	—	(7,694)	114
Net assets released from restrictions	<u>387,025</u>	<u>(387,025)</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>16,380,512</u>	<u>256,193</u>	<u>16,636,705</u>	<u>15,896,689</u>
<b>EXPENSES:</b>				
Program services:				
Agency Clearinghouse Program	6,403,689	—	6,403,689	4,892,839
Emergency Food Assistance Program (EFAP)	4,849,551	—	4,849,551	5,010,411
Education and Advocacy	11,005	—	11,005	9,694
Family Market	3,155,866	—	3,155,866	5,007,504
Support services:				
Administration	1,219,827	—	1,219,827	845,348
Fundraising	<u>104,195</u>	<u>—</u>	<u>104,195</u>	<u>111,938</u>
Total expenses	<u>15,744,133</u>	<u>—</u>	<u>15,744,133</u>	<u>15,877,734</u>
Increase (decrease) in net assets	636,379	256,193	892,572	18,955
NET ASSETS, BEGINNING OF YEAR	<u>7,220,512</u>	<u>459,540</u>	<u>7,680,052</u>	<u>7,661,097</u>
NET ASSETS, END OF YEAR	<u>\$ 7,856,891</u>	<u>\$ 715,733</u>	<u>\$ 8,572,624</u>	<u>\$ 7,680,052</u>

See Notes to Financial Statements.

**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2018)

	PROGRAM SERVICES				SUPPORT SERVICES			2019 TOTAL	2018 TOTAL	
	Agency Clearinghouse Program	Emergency Food Assistance Program (EFAP)	Education and Advocacy	Family Market	Total Program Services	Administration	Fundraising			Total Support Services
EXPENSES:										
Donated food	\$ 5,136,767	\$ 2,361,995	\$ -	\$ 2,694,605	\$ 10,193,367	\$ -	\$ -	\$ -	\$ 10,193,367	\$ 11,097,088
USDA commodities	5,193	1,562,073	-	4,798	1,572,064	-	-	-	1,572,064	1,369,833
Food costs	235,849	298,350	-	45,322	579,521	1,664	3,937	5,601	585,122	590,173
Salaries and wages	470,910	235,509	3,300	131,347	841,066	468,556	49,220	517,776	1,358,842	1,267,709
Employee benefits	148,240	74,711	719	44,092	267,762	100,574	9,711	110,285	378,047	334,705
Payroll taxes	34,612	17,353	244	9,757	61,966	34,808	3,630	38,438	100,404	93,060
Outside services	(4,051)	5,766	-	316	2,031	82,983	-	82,983	85,014	59,073
Supplies	63,754	38,959	581	25,496	128,790	1,730	7,440	9,170	137,960	85,048
Equipment expense	10,323	5,810	119	2,673	18,925	927	218	1,145	20,070	23,442
Telephone	7,222	5,853	113	2,615	15,803	8,236	1,427	9,663	25,466	14,780
Postage	-	-	-	-	-	16,631	-	16,631	16,631	28,324
Occupancy	134,124	90,221	2,489	54,632	281,466	62,018	5,380	67,398	348,864	411,458
Printing and advertising	-	-	-	-	-	32,905	22,436	55,341	55,341	72,409
Vehicle expense	56,133	46,324	-	23,268	125,725	(40)	-	(40)	125,685	107,723
Meetings, training and travel	4,366	-	-	-	4,366	52,058	(7,788)	44,270	48,636	24,696
Membership dues	500	-	-	-	500	25,512	1,705	27,217	27,717	23,853
Depreciation	99,747	106,627	3,440	116,945	326,759	10,319	6,879	17,198	343,957	159,079
Interest expense	-	-	-	-	-	230,126	-	230,126	230,126	72,747
Miscellaneous	-	-	-	-	-	90,820	-	90,820	90,820	42,534
<b>TOTAL EXPENSES - 2019</b>	<b>\$ 6,403,689</b>	<b>\$ 4,849,551</b>	<b>\$ 11,005</b>	<b>\$ 3,155,866</b>	<b>\$ 14,420,111</b>	<b>\$ 1,219,827</b>	<b>\$ 104,195</b>	<b>\$ 1,324,022</b>	<b>\$ 15,744,133</b>	
<b>TOTAL EXPENSES - 2018</b>	<b>\$ 4,892,839</b>	<b>\$ 5,010,411</b>	<b>\$ 9,694</b>	<b>\$ 5,007,504</b>	<b>\$ 14,920,448</b>	<b>\$ 845,348</b>	<b>\$ 111,938</b>	<b>\$ 957,286</b>		<b>\$ 15,877,734</b>

See Notes to Financial Statements.

**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2018)**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received as revenue and support	\$ 5,622,408	\$ 4,620,525
Cash paid to suppliers and employees	(4,771,171)	(4,654,731)
Interest and dividends received	5,658	12,411
Interest paid	<u>(215,577)</u>	<u>(72,747)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>641,318</u>	<u>(94,542)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds of certificates of deposit, net	65,925	350,165
Proceeds from insurance	16,613	-
Purchases of property and equipment	<u>(575,936)</u>	<u>(6,489,254)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(493,398)</u>	<u>(6,139,089)</u>
<b>CASH FLOWS FROM FINANCING:</b>		
Contributions restricted for long-term purposes	-	536,540
Proceeds from loan	129,654	5,789,770
Construction loan costs	-	(87,296)
Payments on loan	<u>(59,959)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>69,695</u>	<u>6,239,014</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	217,615	5,383
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,849,011</u>	<u>1,843,628</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,066,626</u>	<u>\$ 1,849,011</u>
Cash and equivalents	1,759,626	1,385,118
Cash restricted to service debt	<u>307,000</u>	<u>463,893</u>
Total cash and equivalents	<u>\$ 2,066,626</u>	<u>\$ 1,849,011</u>



**FOOD BANK FOR MONTEREY COUNTY**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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**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:

*Agency Clearinghouse Program:* 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 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 Accounting and 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 and changes therein are classified as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. This includes any amounts designated by the Board for certain purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Food Bank and/or the passage of time.

**Recognition of Donor Restrictions** – Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time

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

restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “net assets released from restrictions.”

**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 contribution revenue.

**Product Fees** – The Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based upon predetermined rates from \$ –0– to \$0.19 per pound or an average of \$0.005 per pound for the year ended June 30, 2019. Total shared maintenance fees during the year ended June 30, 2019 totaled \$280,136.

**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.

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

Net investment return/(loss) is reported in the statement of activities and consist of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Inventory** – Inventory and food distribution consists of three types – (1) Donated food valued using an average value derived from Feeding America; (2) Purchased food valued at cost; and (3) Emergency Food Assistance Program (EFAP) food valued according to the USDA’s determination of the commodities’ fair value.

**Receivables** – Receivables 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, 2019 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.

**Property and Equipment** – Property and equipment purchased or constructed is recorded at cost. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. The Food Bank capitalizes property with a value of \$1,000 and a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty 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.

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

**Functional Allocation of Expenses** – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salary and benefits are allocated based on time studies. These studies are conducted on an annual basis and are timed to coincide alternately with periods when seasonal programs are running and when only the base or standard programs are in operation. Occupancy costs, such as rent, fire and liability insurance, utilities and maintenance, are based on a combination of square feet of space occupied and percentage of food distribution. Vehicle costs are charged to programs based on the percentage of food transported or distributed to each program. Food costs, such as purchased product, freight, shared maintenance, and donated food, are allocated based on a prior year or 12-month period food distribution received by program. Separate allocations are set up to be applied when seasonal programs are in operation and when they are not. Depreciation cost allocation uses the same factors as used for occupancy costs.

**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.

**Interest Cost Capitalized** – The Organization capitalizes the interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the assets estimated useful life. Interest costs capitalized were \$180,359 for the year ended June 30, 2019.

**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.

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

Management assesses 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.

All of the Food Bank's assets and liabilities are classified as level 1 with the exception of donated food. All donated non-government food and USDA commodities inventory are classified as level 2 assets. The Food Bank did not have any assets or liabilities classified as level 3.

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, 2019:

<u>ASSETS</u>	<u>Level 1</u>
Common stocks	<u>\$ 132,671</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, 2018** – 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, 2018.

**Effects of New Accounting Pronouncements** – On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Food Bank has adjusted the presentation of these statements accordingly.

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows* (Topic 230) *Restricted Cash*. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Food Bank has adjusted the presentation of these statements accordingly.

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

**Recent Accounting Pronouncements** – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, will replace almost all pre-existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles (GAAP). Implementation for non-public entities must occur in years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. The Food Bank has no plan for early implementation of this Statement. At this time the Food Bank is not certain of the effect the adoption of ASU 2014-09 will have on the accompanying financial statements.

On February 25, 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). Non-public entities are required to adopt the standard for reporting periods beginning after December 15, 2020. All entities may elect to early-adopt. The core principle of the new leases standard is that lessees should recognize assets and liabilities arising from all leases, except for leases with a lease term of 12 months or less. This will significantly gross-up many entities balance sheets. The Food Bank has no plan for early implementation of this Statement. At this time the Food Bank is not certain of the effect the adoption of ASU 2016-02 will have on the accompanying financial statements.

In June 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. This standard is effective for nonpublic companies for years beginning after December 15, 2018. The Food Bank has no plan for early implementation of this statement. At this time the Food Bank is not certain of the effect the adoption of ASU 2018-08 will have on the accompanying financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820). The amendments in the Update modify the disclosure requirements on fair value measurements, including the removal of the requirement to disclose: 1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; 2) the policy for timing of transfers between levels; 3) the valuation processes for Level 3 fair value measurements; 4) for nonpublic entities, the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. In lieu of a rollforward for Level 3 fair value measurement, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities. The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Organization has no plan for early implementation of this Statement. At this time the Organization is not certain of the effect the adoption of ASU 2018-13 will have on the accompanying financial statements.

**Subsequent Events** – Subsequent events have been evaluated through September 9, 2019, 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. Cash and cash equivalents and investment accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) or by the Securities Investor Protection Corporation (SIPC). Cash at these institutions exceed insured limits at various times. The amounts in excess of FDIC limits totaled \$1,231,747 at June 30, 2019. Accounts insured by SIPC did not exceed SIPC limits at June 30, 2019. 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, 2019.

**NOTE 3. INVESTMENTS**

Investments consist of common stocks reported at fair value which was \$132,671 for the year ended June 30, 2019.

**NOTE 4. GRANT AND CONTRACT RECEIVABLES**

Grant and contract receivables at June 30, 2019 consisted of the following:

Foundation Grants	\$ 256,101
Bequests	66,339
County of Monterey	48,930
City of Salinas	25,071
City of Monterey	<u>4,250</u>
Total grant and contract receivables	<u>\$ 400,691</u>

**NOTE 5. PLEDGE RECEIVABLE**

Pledge receivable consists of a multi-year pledge given for operating purposes. The pledge has been discounted at a rate of 5.71%.

Receivable in 2020–2021	\$ 250,000
Receivable in 2021–2022	<u>250,000</u>
Total pledge	500,000
Less discount to present value	<u>39,782</u>
Pledge receivable – net	<u>\$ 460,218</u>

**NOTE 6. INVENTORY**

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

Inventory and food distribution consist of three types – (1) Donated food valued at \$1.20 per pound at June 30, 2019, using an average value derived from Feeding America; formally known as the Second Harvest National Food Bank Network; (2) Purchased food valued at cost; and (3) Emergency Food Assistance Program (EFAP) food valued according to the USDA's determination of the commodities' fair value.

At June 30, 2019 inventories consisted of the following:

Donated Food	\$ 439,744
Purchased Food	158,797
USDA Commodities	<u>549,032</u>
Total Inventory	<u>\$ 1,147,573</u>

**NOTE 7. PROPERTY AND EQUIPMENT – NET**

Property and equipment consist of the following at June 30, 2019:

Land	\$ 2,609,000
Vehicles	963,259
Warehouse equipment	690,320
Office equipment	258,070
Land improvements	242,275
Buildings	<u>8,066,725</u>
Total	12,829,649
Less accumulated depreciation	<u>1,188,918</u>
Property and equipment – net	<u>\$ 11,640,731</u>

Depreciation expense for the year ended June 30, 2019 amounted to \$343,957.

**NOTE 8. NOTE PAYABLE**

In November 2018, the Food Bank entered into a promissory note with Pinnacle Bank in the amount of \$7,500,000. The loan has monthly principal and interest payments of \$45,923 with an interest rate of 5.375% beginning January 8, 2019 for 60 months, then monthly principal and interest payments of \$48,351 for 47 months beginning on January 8, 2024, with an interest rate of 6%, and one principal and interest payment of \$5,971,742 on December 8, 2027. The loan is secured by the property at W. Rossi Street, Salinas, California.

**NOTE 8. NOTE PAYABLE (Continued)**

Future minimum payments are as follows for the year ending June 30:

2020	\$ 148,174
2021	157,565
2022	166,370
2023	175,666
2024	177,788
Thereafter	<u>6,614,478</u>
Total	<u>\$ 7,440,041</u>

**NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2019 were as follows:

Purpose	Balance 6/30/18	Added	Satisfied	Balance 6/30/19
The Community Foundation				
S. L. Gimbel Foundation Fund EFAP	\$ -	\$ 10,000	\$ 10,000	\$ -
Community Foundation EFAP	-	30,000	30,000	-
Sunlight Giving				
3-year grant (starts in July 2016)	200,000	-	200,000	-
3-year grant (starts in July 2019)	-	500,000	-	500,000
Discount	-	(39,782)	-	(39,782)
New truck and software update	215,000	-	59,485	155,515
Feeding America				
Kids Nutrition on Weekends	-	10,000	10,000	-
Ralph Knox Foundation				
Kids Now	-	8,000	8,000	-
Nancy Buck Ransom Foundation				
Kids Now	2,035	25,000	27,035	-
Hunger is Kids Now	27,505	-	27,505	-
Yellow Brick Road				
EFAP	15,000	-	15,000	-
The David & Lucille				
Packard Foundation	-	100,000	-	100,000
Total	<u>\$ 459,540</u>	<u>\$ 643,218</u>	<u>\$ 387,025</u>	<u>\$ 715,733</u>

**NOTE 10. COMMUNITY FOUNDATION**

The Community Foundation for Monterey County holds an endowment fund for the Food Bank in the amount of \$74,108 as of June 30, 2019. The balance is not reflected in the Organization'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 \$3,187 for the fiscal year June 30, 2019.



**NOTE 11. 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 year ended June 30, 2019 was \$30,341.

**NOTE 12. LEASES**

Prior to the completion of the new building, the Food Bank leased its administrative and warehouse space under a month-to-month tenancy which ended in November of 2018. 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, 2019 was \$128,045.

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 were converted to a month-to-month tenancy. Rents paid on both leases for the year ended June 30, 2019 totaled \$172,509.

On October 27, 2017, the Food Bank entered into a contract with Technology Credit Corporation to purchase energy output to be generated from solar panels installed on the Food Bank's rooftop. The contract specified an energy payment rate ranging from \$0.1540 to \$0.2202 per kilowatt hour over the next twenty years. The terms of the agreement include an automatic extension for up to two years. Energy payments made to Technology Credit Corporation for the year ended June 30, 2019 were \$24,995.

**NOTE 13. 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, 2019, \$10,286,400 in food donations were received by the Food Bank and \$73,912 in donated assets.

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, 2019, based on the estimated dollar value of volunteer time calculated using California's minimum wage rates, amounts to \$525,389. The value of these services is not reflected in the financial statements.

**NOTE 14. CONCENTRATIONS**

The Food Bank received the majority of its funding from individuals and private foundations. To a large extent, the continued efficient operation of the Food Bank depends on maintaining the current level of support from these donors. Additionally, the Food Bank receives allocations of emergency supplemental food from governmental agencies which include federal, state and local governments. A significant change in funding could impair the Food Bank's ability to operate the full scope of its current programs.

The Food Bank has a contractual agreement with Feeding America. The agreement improves the capacity of the Food Bank to provide solutions to the problem of hunger in America. Under the terms of the agreement, the Food Bank is required to maintain certain financial covenants, which they complied with for the year ended June 30, 2019. The Food Bank can terminate the agreement by a written notice 30 days in advance subject to the termination provisions as defined by the agreement. Feeding America can terminate the agreement with cause as provided by the compliance standards per the agreement.

**NOTE 15. LIQUIDITY**

The Food Bank has \$2,477,000 of financial assets available within one year of the balance sheet date consisting of cash of \$1,759,626, receivables of \$584,703, and investments of \$132,671. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

## **SUPPLEMENTARY INFORMATION**

**FOOD BANK FOR MONTEREY COUNTY**  
SCHEDULE OF SUPPORT, REVENUE AND EXPENSES BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2018)

	PROGRAM SERVICES				SUPPORT SERVICES			2019 TOTAL	2018 TOTAL	
	Agency Clearinghouse Program	Emergency Food Assistance Program (EFAP)	Education and Advocacy	Family Market	Total Program Services	Administration	Fundraising			Total Support Services
<b>SUPPORT AND REVENUE:</b>										
Food donations	\$ 5,229,800	\$ 2,361,995	\$ -	\$ 2,694,605	\$ 10,286,400	\$ -	\$ -	\$ -	\$ 10,286,400	\$ 11,248,154
Product fees	280,136	-	-	-	280,136	-	-	-	280,136	224,042
	<u>5,509,936</u>	<u>2,361,995</u>	<u>-</u>	<u>2,694,605</u>	<u>10,566,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,566,536</u>	<u>11,472,196</u>
Cash contributions	1,423,669	-	-	25	1,423,694	-	-	-	1,423,694	1,294,994
Grants:										
Federal awards	95,000	573,135	-	-	668,135	-	-	-	668,135	475,005
Federal commodities	5,601	1,464,587	-	6,945	1,477,133	-	-	-	1,477,133	1,370,098
State and local government	-	-	-	-	-	-	-	-	-	-
Corporate and foundation	1,783,248	40,000	-	33,000	1,856,248	-	-	-	1,856,248	775,842
United Way	-	-	-	-	-	-	-	-	-	-
Bequests	-	-	-	-	-	23,253	-	23,253	23,253	306,074
Bingo income	-	-	-	-	-	-	525,060	525,060	525,060	182,171
Interest, other and miscellaneous income	4,791	-	-	-	4,791	26,227	-	26,227	31,018	16,094
Investment gain (loss)	(590)	-	-	-	(590)	-	-	-	(590)	713
Gain (loss) on sale of assets	-	-	-	-	-	(7,694)	-	(7,694)	(7,694)	114
Donated assets	73,912	-	-	-	73,912	-	-	-	73,912	3,388
<b>TOTAL SUPPORT AND REVENUE - 2019</b>	<u>\$ 8,895,567</u>	<u>\$ 4,439,717</u>	<u>\$ -</u>	<u>\$ 2,734,575</u>	<u>\$ 16,069,859</u>	<u>\$ 41,786</u>	<u>\$ 525,060</u>	<u>\$ 566,846</u>	<u>\$ 16,636,705</u>	
<b>TOTAL SUPPORT AND REVENUE - 2018</b>	<u>\$ 6,298,682</u>	<u>\$ 4,683,029</u>	<u>\$ -</u>	<u>\$ 4,714,101</u>	<u>\$ 15,695,812</u>	<u>\$ 18,706</u>	<u>\$ 182,171</u>	<u>\$ 200,877</u>		<u>\$ 15,896,689</u>
<b>EXPENSES:</b>										
Donated food	\$ 5,136,767	\$ 2,361,995	\$ -	\$ 2,694,605	\$ 10,193,367	\$ -	\$ -	\$ -	\$ 10,193,367	\$ 11,097,088
USDA commodities	5,193	1,562,073	-	4,798	1,572,064	-	-	-	1,572,064	1,369,833
Food costs	235,849	298,350	-	45,322	579,521	1,664	3,937	5,601	585,122	590,173
Salaries and wages	470,910	235,509	3,300	131,347	841,066	468,556	49,220	517,776	1,358,842	1,267,709
Employee benefits	148,240	74,711	719	44,092	267,762	100,574	9,711	110,285	378,047	334,705
Payroll taxes	34,612	17,353	244	9,757	61,966	34,808	3,630	38,438	100,404	93,060
Outside services	(4,051)	5,766	-	316	2,031	82,983	-	82,983	85,014	59,073
Supplies	63,754	38,959	581	25,496	128,790	1,730	7,440	9,170	137,960	85,048
Equipment Expense	10,323	5,810	119	2,673	18,925	927	218	1,145	20,070	23,442
Telephone	7,222	5,853	113	2,615	15,803	8,236	1,427	9,663	25,466	14,780
Postage	-	-	-	-	-	16,631	-	16,631	16,631	28,324
Occupancy	134,124	90,221	2,489	54,632	281,466	62,018	5,380	67,398	348,864	411,458
Printing and advertising	-	-	-	-	-	32,905	22,436	55,341	55,341	72,409
Vehicle expense	56,133	46,324	-	23,268	125,725	(40)	-	(40)	125,685	107,723
Meetings, training and travel	4,366	-	-	-	4,366	52,058	(7,788)	44,270	48,636	24,696
Membership dues	500	-	-	-	500	25,512	1,705	27,217	27,717	23,853
Depreciation	99,747	106,627	3,440	116,945	326,759	10,319	6,879	17,198	343,957	159,079
Interest expense	-	-	-	-	-	230,126	-	230,126	230,126	-
Miscellaneous	-	-	-	-	-	90,820	-	90,820	90,820	42,524
<b>TOTAL EXPENSES - 2019</b>	<u>\$ 6,403,689</u>	<u>\$ 4,849,551</u>	<u>\$ 11,005</u>	<u>\$ 3,155,866</u>	<u>\$ 14,420,111</u>	<u>\$ 1,219,827</u>	<u>\$ 104,195</u>	<u>\$ 1,324,022</u>	<u>\$ 15,744,133</u>	
<b>TOTAL EXPENSES - 2018</b>	<u>\$ 4,892,839</u>	<u>\$ 5,010,411</u>	<u>\$ 9,694</u>	<u>\$ 5,007,504</u>	<u>\$ 14,920,448</u>	<u>\$ 845,348</u>	<u>\$ 111,938</u>	<u>\$ 957,286</u>		<u>\$ 15,877,734</u>
Excess (deficiency) of revenue and support over expenses by program - 2019	<u>\$ 2,491,878</u>	<u>\$ (409,834)</u>	<u>\$ (11,005)</u>	<u>\$ (421,291)</u>	<u>\$ 1,649,748</u>	<u>\$ (1,178,041)</u>	<u>\$ 420,865</u>	<u>\$ (757,176)</u>	<u>\$ 892,572</u>	
Excess (deficiency) of revenue and support over expenses by program - 2018	<u>\$ 1,405,843</u>	<u>\$ (327,382)</u>	<u>\$ (9,694)</u>	<u>\$ (293,403)</u>	<u>\$ 775,364</u>	<u>\$ (826,642)</u>	<u>\$ 70,233</u>	<u>\$ (756,409)</u>	<u>\$ -</u>	<u>\$ 18,955</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, 2019, 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 9, 2019.

#### **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 9, 2019

*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, 2019. **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, 2019.

### **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 9, 2019

*Hayashi Wayland, LLP*



**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBERS	FEDERAL EXPENDI- TURES
Food Distribution Cluster –			
<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	\$ 342,285
Commodities	10.569	G37023	<u>1,572,064</u>
Total U. S. Department of Agriculture programs in cluster			<u>1,914,349</u>
<u>Department of Health and Human Services:</u>			
Pass-through Agency:			
Monterey County			
Community Services Block Grant	93.569	N/A	<u>90,000</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>45,000</u>
CDBG – Entitlement Grants Cluster –			
<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	103,850
City of Monterey			
Community Development Block Grant	14.218	AG-5129	67,000
County of Monterey			
Community Development Block Grant	14.218	N/A	<u>20,000</u>
Total U. S. Department of Housing and Urban Development programs in cluster			<u>190,850</u>
Total expenditures of federal awards			<u>\$ 2,240,199</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, 2019

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**NOTE 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Food Bank for Monterey County under programs of the federal government for the year ended June 30, 2019. 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. Food Bank for Monterey County has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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, 2019, the Organization had food commodities totaling \$549,032 in inventory.

**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**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, 2019**  
(Continued)

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**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, 2019

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There were no prior year audit findings.