

**FOOD BANK FOR MONTEREY COUNTY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2018

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, 2018, 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, 2018, 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 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Support, Revenue and Expenses by Program and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 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 24, 2018

*Hayashi Wayland, LLP*





**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**  
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,385,118	\$ 1,843,089
Investments	198,596	195,033
Agency receivables	115,236	55,434
Other receivables	273,074	318,104
Inventory	1,225,312	965,048
Prepaid expenses	<u>107,129</u>	<u>63,746</u>
Total current assets	<u>3,304,465</u>	<u>3,440,454</u>
PROPERTY AND EQUIPMENT—NET	9,779,161	3,448,986
CASH RESTRICTED FOR LONG—TERM PURPOSES	—	536,540
CASH RESTRICTED TO SERVICE DEBT	463,893	—
CERTIFICATES OF DEPOSIT	<u>—</u>	<u>353,440</u>
TOTAL ASSETS	<u>\$ 13,547,519</u>	<u>\$ 7,779,420</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 11,227	\$ 40,476
Vacation liability	81,019	77,847
Note payable – net	<u>5,775,221</u>	<u>—</u>
Total current liabilities	<u>5,867,467</u>	<u>118,323</u>
NET ASSETS:		
Unrestricted net assets:		
Undesignated	1,991,260	1,992,389
Board designated, net fixed assets, net of related debt	4,003,940	3,448,986
Board designated, inventory	1,225,312	965,048
Board designated, capital campaign	<u>—</u>	<u>536,540</u>
Total unrestricted net assets	7,220,512	6,942,963
Temporarily restricted net assets	<u>459,540</u>	<u>718,134</u>
Total net assets	<u>7,680,052</u>	<u>7,661,097</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,547,519</u>	<u>\$ 7,779,420</u>

See Notes to Financial Statements.

**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>SUPPORT AND REVENUE:</b>				
General support and fees:				
Food donations	\$ 11,248,154	\$ —	\$ 11,248,154	\$ 12,257,063
Product fees	224,042	—	224,042	276,491
Cash contributions	1,294,994	—	1,294,994	1,193,807
Donated assets	3,388	—	3,388	4,259
Grants	436,337	339,505	775,842	2,032,455
Government contracts	1,845,103	—	1,845,103	2,042,831
Bequests	306,074	—	306,074	—
Bingo income	182,171	—	182,171	230,520
Interest and other income	12,411	—	12,411	5,219
Miscellaneous income	3,683	—	3,683	6,267
Investment gain (loss)	713	—	713	29,276
Gain (loss) on sale of assets	114	—	114	276
Net assets released from restrictions	<u>598,099</u>	<u>(598,099)</u>	<u>—</u>	<u>—</u>
Total support and revenue	<u>16,155,283</u>	<u>(258,594)</u>	<u>15,896,689</u>	<u>18,078,464</u>
<b>EXPENSES:</b>				
Food Bank Agency Clearinghouse	4,892,839	—	4,892,839	5,736,898
Emergency Food Assistance Program(EFAP)	5,010,411	—	5,010,411	5,758,960
Education and Advocacy	9,694	—	9,694	32,877
Family Market	5,007,504	—	5,007,504	4,741,588
Administration	845,348	—	845,348	617,042
Fundraising – General	<u>111,938</u>	<u>—</u>	<u>111,938</u>	<u>149,217</u>
Total expenses	<u>15,877,734</u>	<u>—</u>	<u>15,877,734</u>	<u>17,036,582</u>
Increase (decrease) in net assets	277,549	(258,594)	18,955	1,041,882
NET ASSETS, BEGINNING OF YEAR	<u>6,942,963</u>	<u>718,134</u>	<u>7,661,097</u>	<u>6,619,215</u>
NET ASSETS, END OF YEAR	<u>\$ 7,220,512</u>	<u>\$ 459,540</u>	<u>\$ 7,680,052</u>	<u>\$ 7,661,097</u>

See Notes to Financial Statements.

FOOD BANK FOR MONTEREY COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	PROGRAM SERVICES					SUPPORT SERVICES				
	FOOD BANK	EFAP	EDUCATION AND ADVOCACY	FAMILY MARKET	TOTAL PROGRAM SERVICES	ADMINISTRATION	FUNDRAISING GENERAL	TOTAL SUPPORT SERVICES	2018	2017
EXPENSES:										
Donated food	\$ 3,557,400	\$ 2,901,935	\$ -	\$ 4,637,753	\$ 11,097,088	\$ -	\$ -	\$ -	\$ 11,097,088	\$ 12,267,088
USDA Commodities	(7,371)	1,366,273	-	10,931	1,369,833	-	-	-	1,369,833	1,505,018
Food costs	362,738	134,113	-	93,322	590,173	-	-	-	590,173	665,373
Salaries and wages	408,809	281,255	3,013	97,929	791,006	434,730	41,973	476,703	1,267,709	1,204,777
Employee benefits	137,713	67,930	335	35,097	241,075	84,934	8,696	93,630	334,705	295,440
Payroll taxes	31,712	15,914	235	8,201	56,062	33,705	3,293	36,998	93,060	89,203
Outside services	926	270	-	87	1,283	56,422	1,368	57,790	59,073	62,035
Supplies	43,608	23,933	295	11,862	79,698	4,614	736	5,350	85,048	104,405
Equipment expense	13,027	6,766	61	2,919	22,773	574	95	669	23,442	23,466
Telephone	6,553	4,504	85	2,211	13,353	256	1,171	1,427	14,780	12,216
Postage	-	-	-	-	-	28,334	(10)	28,324	28,324	19,255
Occupancy	219,307	107,148	3,730	32,708	362,893	41,105	7,460	48,565	411,458	408,857
Printing and advertising	17,171	12,294	342	3,793	33,600	8,095	30,714	38,809	72,409	59,693
Vehicle expense	55,295	37,673	-	14,755	107,723	-	-	-	107,723	87,831
Meetings, training and travel	2,300	-	-	-	2,300	10,681	11,715	22,396	24,696	23,762
Membership dues	500	-	-	-	500	21,822	1,531	23,353	23,853	30,466
Depreciation	43,151	50,403	1,598	55,936	151,088	4,795	3,196	7,991	159,079	170,842
In-kind expenses	-	-	-	-	-	-	-	-	-	5,529
Interest expense	-	-	-	-	-	72,747	-	72,747	72,747	-
Miscellaneous	-	-	-	-	-	42,534	-	42,534	42,534	1,326
<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>	
<b>TOTAL EXPENSES - 2017</b>	<b>\$ 5,736,898</b>	<b>\$ 5,758,960</b>	<b>\$ 32,877</b>	<b>\$ 4,741,588</b>	<b>\$ 16,270,323</b>	<b>\$ 617,042</b>	<b>\$ 149,217</b>	<b>\$ 766,259</b>		<b>\$ 17,036,582</b>

See Notes to Financial Statements.

**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received as revenue and support	\$ 4,620,525	\$ 4,956,641
Cash paid to suppliers and employees	(4,727,478)	(4,779,228)
Interest and dividends received	<u>12,411</u>	<u>5,219</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(94,542)</u>	<u>182,632</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds of certificates of deposit, net	350,704	152,493
Purchases of property and equipment	<u>(6,489,254)</u>	<u>(3,051,390)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(6,138,550)</u>	<u>(2,898,897)</u>
CASH FLOWS FROM FINANCING:		
Contributions restricted for long-term purposes	536,540	1,732,574
Proceeds from construction loan	5,789,770	—
Construction loan costs	(87,296)	—
Required loan balances	<u>(463,893)</u>	<u>—</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>5,775,121</u>	<u>1,732,574</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(457,971)	(983,691)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,843,089</u>	<u>2,826,780</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,385,118</u>	<u>\$ 1,843,089</u>

**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2017)**  
**(Continued)**

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 18,955	\$ 1,041,882
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	159,079	170,842
Amortization	72,747	—
Unrealized gain on investments	(713)	(29,276)
(Gain) loss on disposal of assets	(114)	(276)
Donations received for long-term purposes	—	(900,193)
(Increase) decrease in:		
Agency receivables	(59,802)	(6,198)
Other receivables	45,030	81,931
Inventory	(260,264)	(259,529)
Prepaid expenses	(43,383)	77,467
Increase (decrease) in:		
Accounts payable	(29,249)	(11,805)
Vacation liability	<u>3,172</u>	<u>17,787</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (94,542)</u>	<u>\$ 182,632</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITIES:		
Property and equipment additions	\$ 6,489,254	\$ —
Less: financed construction costs	<u>5,789,770</u>	<u>—</u>
Cash used to purchase property and equipment	<u>\$ 699,484</u>	<u>\$ —</u>

See Notes to Financial Statements.

**FOOD BANK FOR MONTEREY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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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:

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

*Emergency Food Assistance Program (EFAP):* This program distributes United States Department of Agriculture food commodities to more than 30 sites throughout Monterey County on a monthly basis.

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

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

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

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

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

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

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

**Contributions** – Contributions are recognized when the donor makes a contribution or makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, or temporarily restricted support depending on the existence and/or nature of any donor 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, 2018. Total shared maintenance fees during the year ended June 30, 2018 totaled \$224,042.

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

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

**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, 2018 the allowance was zero.

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

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

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

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

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

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes** – The Food Bank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and from California franchise tax under Section 23701(d) of the Revenue and Taxation Code. However, income from certain activities not directly related to the Food Bank's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

**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 was \$87,296 for the year ended June 30, 2018.



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

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

Management 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, 2018:

<u>ASSETS</u>	<u>Level 1</u>
Common stocks	<u>\$ 198,596</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, 2017** – 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, 2017.

**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).

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

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, 2019. 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.

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, representing the first time since the mid-1990s that financial reporting for not-for-profit Food Banks has been addressed. While the guidance is effective for fiscal years beginning after December 15, 2017, early adoption is allowed. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. 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 2016-14 will have on the accompanying financial statements.

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 no plan for early implementation of this statement. At this time the Food Bank is not certain of the effect the adoption of ASU 2016-18 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.

**Subsequent Events** – Subsequent events have been evaluated through September 24, 2018, 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 \$1,127,573 at June 30, 2018. Accounts insured by SIPC did not exceed SIPC limits at June 30, 2018. 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, 2018.

**NOTE 3. INVESTMENTS**

Investments consist of common stocks reported at fair value which was \$198,596 for the year ended June 30, 2018.

**NOTE 4. OTHER RECEIVABLES**

Other receivables consist of grants, contracts and bequests for various purposes.

Other receivables at June 30, 2018 are as follows:

City of Monterey	\$	4,500
County of Monterey		5,000
City of Salinas		5,000
Foundation Grants		123,600
Bequests		<u>134,974</u>
Total other receivables	\$	<u>273,074</u>

**NOTE 5. INVENTORY**

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

Inventory and food distribution consists of three types – (1) Donated food valued at \$1.13 per pound at June 30, 2018, 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.

**NOTE 5. INVENTORY (Continued)**

At June 30, 2018 inventories consisted of the following:

Donated Food	\$ 346,712
Purchased Food	234,638
USDA Commodities	<u>643,962</u>
Total Inventory	<u>\$ 1,225,312</u>

**NOTE 6. PROPERTY AND EQUIPMENT – NET**

Property and equipment consists of the following at June 30, 2018:

Land	\$ 2,609,000
Vehicles	829,862
Warehouse equipment	431,572
Office equipment	204,066
Leasehold improvements	42,627
Construction in progress	<u>6,800,287</u>
Total	10,917,414
Less accumulated depreciation	<u>1,138,253</u>
Property and equipment – net	<u>\$ 9,779,161</u>

Depreciation expense for the year ended June 30, 2018 amounted to \$159,079.

**NOTE 7. NOTE PAYABLE – NET**

In November 2016, the Food Bank entered into a construction loan agreement with Pinnacle Bank, which allows for construction borrowings up to \$7,500,000. The loan has monthly interest only payments at the Wall Street Journal prime rate plus 1%, which was 6% at June 30, 2018. The interest paid during the construction period is being capitalized. The loan is secured by the new building at West Rossi Street and matures on September 8, 2018. The outstanding balance at June 30, 2018 was \$5,789,770. There were loan costs of \$87,296, which are being amortized over the period of the loan. The amortization for June 30, 2018 was \$72,747 and was recognized as interest expense. The net loan costs are \$14,549 at June 30, 2018 and have been netted against the loan for a total net note payable of \$5,775,221.

Subsequent to year end, the construction loan was converted to a term loan with monthly principal and interest payments at the prime rate plus .75% for the first four years and will reset after the fourth year to the prime rate plus .75% at that time. The loan matures nine years from the end of the twelve month construction period and is secured by the new building at West Rossi Street.

**NOTE 8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2018 were as follows:

<u>Purpose</u>	<u>Balance 6/30/17</u>	<u>Added</u>	<u>Satisfied</u>	<u>Balance 6/30/18</u>
The Community Foundation				
S. L. Gimbel Foundation Fund EFAP	\$ —	\$ 10,000	\$ 10,000	\$ —
Margaret L. Musser Field of Interest	—	30,000	30,000	—
Sunlight Giving				
3-year grant (starts in July 2016)	400,000	—	200,000	200,000
Discount	(6,689)	—	(6,689)	—
New truck and software update	—	215,000	—	215,000
Feeding America				
Child Hunger grant	24,415	10,000	34,415	—
Ralph Knox Foundation				
Kids Now	—	7,000	7,000	—
Nancy Buck Ransom Foundation				
Kids Now	—	25,000	22,965	2,035
Hunger is Kids Now	—	27,505	—	27,505
Yellow Brick Road				
EFAP	18,134	15,000	18,134	15,000
Packard Foundation				
Agency Clearinghouse/Education	82,274	—	82,274	—
Monterey Peninsula Foundation				
General operations	<u>200,000</u>	<u>—</u>	<u>200,000</u>	<u>—</u>
Total	<u>\$ 718,134</u>	<u>\$ 339,505</u>	<u>\$ 598,099</u>	<u>\$ 459,540</u>

**NOTE 9. COMMUNITY FOUNDATION**

The Community Foundation for Monterey County holds an endowment fund for the Food Bank in the amount of \$72,837 as of June 30, 2018. 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 \$3,135 for the fiscal year June 30, 2018.

**NOTE 10. 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, 2018 was \$27,455.

**NOTE 11. LEASES**

The Food Bank leases its administrative and warehouse space under a lease agreement, dated August 20, 2015. The lease term began on October 1, 2015 and ended on September 30, 2016 with a fiscal annual rent of \$272,280. Upon expiration, the lease converted to a month-to-month tenancy. 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, 2018 was \$272,280.

On September 1, 2013, the Food Bank entered into two one-year lease agreements for a location to host Sunday and Thursday bingo games. The terms of the leases are identical and call for a rental rate of \$1,482 per weekly session, payable monthly, for all sessions for the month. Upon expiration, the leases were converted to a month-to-month tenancy. Rents paid on both leases for the year ended June 30, 2018 totaled \$158,925.

**NOTE 12. 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, 2018, \$11,248,154 in food donations were received by the Food Bank and \$3,388 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, 2018, based on the estimated dollar value of volunteer time calculated using California's minimum wage rates, amounts to \$490,509. The value of these services is not reflected in the financial statements.

**NOTE 13. 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, 2018. 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.

## **SUPPLEMENTARY INFORMATION**



FOOD BANK FOR MONTEREY COUNTY  
SCHEDULE OF SUPPORT, REVENUE AND EXPENSES BY PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2017)

	PROGRAM SERVICES					SUPPORT SERVICES			2018 TOTAL	2017 TOTAL
	FOOD BANK	EFAP	EDUCATION AND ADVOCACY	FAMILY MARKET	TOTAL PROGRAM SERVICES	ADMINIS- TRATION	FUND RAISING GENERAL	TOTAL SUPPORT SERVICES		
<b>SUPPORT AND REVENUE:</b>										
Food donations	\$ 3,708,466	\$ 2,901,935	\$ -	\$ 4,637,753	\$ 11,248,154	\$ -	\$ -	\$ -	\$ 11,248,154	\$ 12,257,063
Product fees	224,042	-	-	-	224,042	-	-	-	224,042	276,491
	<u>3,932,508</u>	<u>2,901,935</u>	<u>-</u>	<u>4,637,753</u>	<u>11,472,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,472,196</u>	<u>12,533,554</u>
Cash and in-kind contributions	1,294,229	-	-	565	1,294,794	200	-	200	1,294,994	1,193,807
Grants:										
Federal awards	97,940	377,065	-	-	475,005	-	-	-	475,005	435,978
Federal commodities	14,791	1,349,029	-	6,278	1,370,098	-	-	-	1,370,098	1,606,853
Corporate and foundation	644,648	55,000	-	69,505	769,153	6,689	-	6,689	775,842	2,032,455
Bequests	306,074	-	-	-	306,074	-	-	-	306,074	306,074
Bingo income	-	-	-	-	-	-	182,171	182,171	182,171	230,520
Interest, other and miscellaneous income	4,391	-	-	-	4,391	11,703	-	11,703	16,094	11,486
Investment gain (loss)	713	-	-	-	713	-	-	-	713	29,276
Gain (loss) on sale of assets	-	-	-	-	-	114	-	114	114	276
Donated assets	3,388	-	-	-	3,388	-	-	-	3,388	4,259
<b>TOTAL SUPPORT AND REVENUE - 2018</b>	<b>\$ 6,298,682</b>	<b>\$ 4,683,029</b>	<b>\$ -</b>	<b>\$ 4,714,101</b>	<b>\$ 15,695,812</b>	<b>\$ 18,706</b>	<b>\$ 182,171</b>	<b>\$ 200,877</b>	<b>\$ 15,896,689</b>	
<b>TOTAL SUPPORT AND REVENUE - 2017</b>	<b>\$ 7,697,281</b>	<b>\$ 5,603,157</b>	<b>\$ -</b>	<b>\$ 4,298,914</b>	<b>\$ 17,599,352</b>	<b>\$ 248,592</b>	<b>\$ 230,520</b>	<b>\$ 479,112</b>		<b>\$ 18,078,464</b>
<b>EXPENSES:</b>										
Donated food	\$ 3,557,400	\$ 2,901,935	\$ -	\$ 4,637,753	\$ 11,097,088	\$ -	\$ -	\$ -	\$ 11,097,088	\$ 12,267,088
USDA Commodities	(7,371)	1,366,273	-	10,931	1,369,833	-	-	-	1,369,833	1,505,018
Food costs	362,738	134,113	-	93,322	590,173	-	-	-	590,173	665,373
Salaries and wages	408,809	281,255	3,013	97,929	791,006	434,730	41,973	476,703	1,267,709	1,204,777
Employee benefits	137,713	67,990	335	35,097	241,075	84,934	8,696	93,630	334,705	295,440
Payroll taxes	31,712	15,914	235	8,201	56,062	33,705	3,293	36,998	93,060	89,203
Outside services	926	270	-	87	1,283	56,422	1,368	57,790	59,073	62,035
Supplies	43,608	23,933	295	11,862	79,698	4,614	736	5,350	85,048	104,405
Equipment expense	13,027	6,766	61	2,919	22,773	574	95	669	23,442	23,466
Telephone	6,553	4,504	85	2,211	13,353	256	1,171	1,427	14,780	12,216
Postage	-	-	-	-	-	28,334	(10)	28,324	28,324	19,255
Occupancy	219,307	107,148	3,730	37,708	367,893	41,105	7,460	48,565	411,458	408,857
Printing and advertising	17,171	12,294	342	3,793	33,600	8,095	30,714	38,809	72,409	59,693
Vehicle expense	55,295	37,673	-	14,755	107,723	-	-	-	107,723	87,831
Meetings, training and travel	2,300	-	-	-	2,300	10,681	11,715	22,396	24,696	23,762
Membership dues	500	-	-	-	500	21,822	1,531	23,353	23,853	30,466
Depreciation	43,151	50,403	1,598	55,936	151,088	4,795	3,196	7,991	159,079	170,842
In-kind expenses	-	-	-	-	-	-	-	-	-	5,529
Interest expense	-	-	-	-	-	72,747	-	72,747	72,747	-
Miscellaneous	-	-	-	-	-	42,534	-	42,534	42,534	1,326
<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>	
<b>TOTAL EXPENSES - 2017</b>	<b>\$ 5,736,898</b>	<b>\$ 5,758,960</b>	<b>\$ 32,877</b>	<b>\$ 4,741,588</b>	<b>\$ 16,270,323</b>	<b>\$ 617,042</b>	<b>\$ 149,217</b>	<b>\$ 766,259</b>		<b>\$ 17,036,582</b>
Excess (deficiency) of revenue and support over expenses by program - 2018	\$ 1,405,843	\$ (327,382)	\$ (9,694)	\$ 292,403	\$ 775,364	\$ (826,642)	\$ 70,233	\$ (756,409)	\$ 18,955	
Excess (deficiency) of revenue and support over expenses by program - 2017	\$ 1,960,383	\$ (155,803)	\$ (32,877)	\$ (442,674)	\$ 1,329,029	\$ (368,450)	\$ 81,303	\$ (287,147)		\$ 1,041,882

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, 2018, 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 24, 2018.

#### 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 24, 2018

*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, 2018. **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, 2018.

### **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 24, 2018

*Hayashi Wayland, LLP*



**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	\$ 224,975
Commodities	10.569	G37023	<u>1,369,833</u>
Total U. S. Department of Agriculture programs in cluster			<u>1,594,808</u>
<u>Department of Health and Human Services:</u>			
Pass-through Agency:			
Monterey County			
Community Services Block Grant	93.569	N/A	<u>94,090</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>97,940</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	20,000
City of Monterey			
Community Development Block Grant	14.218	AG-5129	18,000
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>58,000</u>
Total expenditures of federal awards			<u>\$ 1,844,838</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, 2018**

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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, 2018. 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, 2018, the Organization had food commodities totaling \$643,962 in inventory.

**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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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, 2018**  
(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, 2018**

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There were no prior year audit findings.

**Food Bank for Monterey County**

Year End: June 30, 2018

**Adjusting Journal Entries**

Date: 7/1/2017 To 6/30/2018

Account No: AJE-01 To AJE-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg Net Income (Loss)	
Net Income (Loss) Before Adjustments						5,916.00	
AJE-01	6/30/2018	Construction-in-Progress	13510 01GF		85,897.00		
AJE-01	6/30/2018	Construction-in-Progress	13510 01GF		352,145.00		
AJE-01	6/30/2018	New Facility	24200 01GF	85,897.00			
AJE-01	6/30/2018	New Facility	24200 01GF	352,145.00			
To reverse duplicate entries for CIP and loan. Client has made these entries.				438,042.00	438,042.00	0.00	5,916.00
AJE-02	6/30/2018	Discount on Pledge	12235 01GF	6,689.00			
AJE-02	6/30/2018	Foundation Grants	46000 100A		6,689.00		
To recognize portion of Sunlight Giving pledge discount for amount received in FY17-18.				6,689.00	6,689.00	6,689.00	12,605.00
AJE-03	6/30/2018	Construction-in-Progress	13510 01GF	79,107.00			
AJE-03	6/30/2018	Interest Expense-Capital Proj.	64510 100A		79,107.00		
To reclass interest expense for the construction loan to Construction in Progress.				79,107.00	79,107.00	79,107.00	91,712.00
AJE-04	6/30/2018	Construction-in-Progress	13510 01GF		87,296.00		
AJE-04	6/30/2018	Debt Financing Costs	24201 01GF	87,296.00			
To reclass finance fees from CIP to Debt financing cost offsetting debt as required by GAAP.				87,296.00	87,296.00	0.00	91,712.00
AJE-05	6/30/2018	Debt Financing Costs	24201 01GF		72,747.00		
AJE-05	6/30/2018	Interest Expense-Capital Proj.	64510 100A	72,747.00			
To recognize 10 months of amorization of the finance costs on the construction loan.				72,747.00	72,747.00	(72,747.00)	18,965.00
				683,881.00	683,881.00	13,049.00	18,965.00

**Food Bank for Monterey County**

Year End: June 30, 2018

Prepared by Client Journal Entries

Date: 7/1/2017 To 6/30/2018

Account No: PBC-01 To PBC-99

Number	Date	Name	Account No	Debit	Credit	Amount Chg	Net Income (Loss)
Net Income (Loss) Before Adjustments						25,896.00	
PBC-01	6/30/2018	A/R - Emergency Food Assistance Pr	12020 01GF		6,931.00		
PBC-01	6/30/2018	EFAP Revenue	45020 600EFA	6,931.00			
To reverse a Cal Food receivable previously recorded.				6,931.00	6,931.00	(6,931.00)	18,965.00
				6,931.00	6,931.00	(6,931.00)	18,965.00