

**CALIFORNIA ASSOCIATION OF FOOD BANKS**

**(A Not-for-Profit California Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND DECEMBER 31, 2008**

# **CALIFORNIA ASSOCIATION OF FOOD BANKS**

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## Independent Auditors' Report

The Board of Directors  
California Association of Food Banks

We have audited the accompanying statement of financial position of California Association of Food Banks (a not-for-profit California public benefit corporation) as of December 31, 2009 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of California Association of Food Banks as of December 31, 2008 were audited by other auditor's whose March 27, 2009 report expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Association of Food Banks as of December 31, 2009 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2010 on our consideration of California Association of Food Banks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

RINA accountancy corporation

Certified Public Accountants

Oakland, California  
May 11, 2010

# CALIFORNIA ASSOCIATION OF FOOD BANKS

## STATEMENT OF FINANCIAL POSITION

**FOR THE PERIOD ENDED DECEMBER 31, 2009**

**With Comparative Totals for the Period Ended December 31, 2008**

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,160,414	\$ 698,653
Accounts receivable	207,137	226,191
Grants receivable	88,250	6,800
Government contracts receivable	1,161,258	303,428
Other receivables	721,047	415,368
Prepaid expenses	32,493	9,299
	3,370,599	1,659,739
<b>OTHER ASSETS:</b>		
Office equipment, net	-	5,738
Rent deposit	9,780	8,980
	\$ 3,380,379	\$ 1,674,457
	\$ 3,380,379	\$ 1,674,457
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,013,696	\$ 495,144
Accrued liabilities	540,365	276,144
Deferred revenue	9,036	56,077
Member deposits	390,197	398,333
Other liabilities	-	116,218
	1,953,294	1,341,916
<b>NET ASSETS:</b>		
Unrestricted net assets:		
Undesignated	549,607	38,599
Board designated - operating reserve	500,000	-
	1,049,607	38,599
Temporarily restricted net assets	377,478	293,942
	1,427,085	332,541
	\$ 3,380,379	\$ 1,674,457

See notes to financial statements.

# CALIFORNIA ASSOCIATION OF FOOD BANKS

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**With Comparative Totals for the Year Ended December 31, 2008**

	2009		2008	
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE:</b>				
Farm to Family	\$ 5,770,232	\$ -	\$ 5,770,232	\$ 3,862,719
Less charges of Farm to Family	5,150,977	-	5,150,977	3,497,356
Net revenue, Farm to Family	619,255	-	619,255	365,363
Network for a Healthy California	3,143,270	-	3,143,270	1,471,397
Less charges of NHC	2,469,669	-	2,469,669	1,014,713
Net revenue, NHC	673,601	-	673,601	456,684
Grants and contributions	96,711	876,634	973,345	462,697
Member dues	148,319	-	148,319	95,510
Donations	610,537	10,000	620,537	14,581
Interest and other	3,035	-	3,035	13,877
Net assets released from restrictions	803,098	(803,098)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,954,556</b>	<b>83,536</b>	<b>3,038,092</b>	<b>1,408,712</b>
<b>EXPENSES:</b>				
Program services:				
Farm to Family	513,923	-	513,923	619,775
Network for a Healthy California	902,740	-	902,740	426,837
Policy and member services	295,635	-	295,635	160,992
Supporting services:				
General and administrative	215,619	-	215,619	186,035
Fundraising	15,631	-	15,631	16,413
<b>TOTAL EXPENSES</b>	<b>1,943,548</b>	<b>-</b>	<b>1,943,548</b>	<b>1,410,052</b>
<b>CHANGE IN NET ASSETS</b>	1,011,008	83,536	1,094,544	(1,340)
<b>NET ASSETS, beginning of year</b>	<b>38,599</b>	<b>293,942</b>	<b>332,541</b>	<b>333,881</b>
<b>NET ASSETS, end of year</b>	<b>\$ 1,049,607</b>	<b>\$ 377,478</b>	<b>\$ 1,427,085</b>	<b>\$ 332,541</b>

See notes to financial statements.

## CALIFORNIA ASSOCIATION OF FOOD BANKS

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	Program Services			Supporting Services		Totals	
	Farm to Family	Network for a Healthy California	Policy and Member Services	General and Administrative	Fundraising	Year Ended December 31, 2009	Year Ended December 31, 2008
Salaries	\$ 211,216	\$ 280,353	\$ 74,757	\$ 134,855	\$ 12,007	\$ 713,188	\$ 668,773
Payroll tax	16,789	22,509	5,864	10,561	926	56,649	47,529
Employee benefits	20,279	30,018	8,709	13,441	1,539	73,986	47,682
Hiring and training expense	310	564	8	394	-	1,276	4,683
Accounting services	-	5,500	-	16,980	-	22,480	161,173
Contract services	107,513	451,080	1,011	1,310	129	561,043	199,594
Occupancy	19,115	34,066	6,308	10,667	630	70,786	59,524
Telecommunications	5,617	7,049	3,212	3,177	160	19,215	18,788
Supplies and equipment expense	21,952	9,762	1,792	2,799	126	36,431	14,422
Printing and postage	1,592	24,305	1,333	2,210	46	29,486	13,298
Marketing	6,541	-	5,000	-	-	11,541	7,308
Meeting and travel	6,875	30,514	11,538	4,395	42	53,364	43,928
Insurance	534	3,703	174	2,834	18	7,263	3,464
License, fees and permits	-	102	-	4,296	-	4,398	4,361
Dues and subscriptions	283	2,585	929	515	8	4,320	1,381
Member produce subsidy	83,847	-	-	-	-	83,847	75,772
Member grants	-	-	175,000	-	-	175,000	-
Produce expense and transportation	11,460	-	-	-	-	11,460	29,196
Interest expense and bank charges	-	630	-	261	-	891	1,445
Depreciation	-	-	-	5,738	-	5,738	7,731
Miscellaneous	-	-	-	1,186	-	1,186	-
<b>TOTAL EXPENSES</b>	<b><u>\$ 513,923</u></b>	<b><u>\$ 902,740</u></b>	<b><u>\$ 295,635</u></b>	<b><u>\$ 215,619</u></b>	<b><u>\$ 15,631</u></b>	<b><u>\$ 1,943,548</u></b>	<b><u>\$ 1,410,052</u></b>
Percentage of Total	26.4%	46.4%	15.2%	11.1%	0.8%	100.0%	100.0%

See notes to financial statements.

# CALIFORNIA ASSOCIATION OF FOOD BANKS

## STATEMENT OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,094,544	\$ (1,340)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	5,738	7,731
(Increase) decrease in operating assets:		
Accounts receivable	19,054	361,626
Grants receivable	(81,450)	(4,207)
Government contracts receivable	(857,830)	359,816
Other receivable	(305,679)	(402,662)
Prepaid expenses	(23,994)	(912)
Increase (decrease) in operating liabilities:		
Accounts payable	518,552	(660,310)
Accrued liabilities	264,221	271,575
Deferred revenue	(47,041)	(17,939)
Member deposits	(8,136)	171,995
Other liabilities	(116,218)	19,642
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>461,761</u>	 <u>105,015</u>
 NET INCREASE IN CASH	 461,761	 105,015
 CASH, beginning of year	 <u>698,653</u>	 <u>593,638</u>
 CASH, end of year	 <u>\$ 1,160,414</u>	 <u>\$ 698,653</u>

See notes to financial statements.

# CALIFORNIA ASSOCIATION OF FOOD BANKS

## NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2009 AND DECEMBER 31, 2008

### **Note 1. ORGANIZATION:**

California Association of Food Banks (the “Association” or “CAFB”) is a nonprofit California corporation whose mission is to provide a unified voice among food banks to maximize their ability to build a well-nourished California. For membership purposes, a California food bank is a nonprofit organization, which is tax-exempt under section 501 (c)(3) of the Internal Revenue Code and is governed by a Board of Directors which represents the community it serves and, on a regular basis, solicits, receives, warehouses, and distributes donated food within a defined service area, principally to a wide range of nonprofit agencies that operate food assistance programs for low-income people.

### **Note 2. PROGRAM SERVICES:**

#### Farm to Family Program:

The Farm to Family program plays a vital role in delivering fresh fruits and vegetables to people in need throughout California. Working with growers, packers and food banks in every part of the state, CAFB provides surplus and “cull” (e.g., misshapen or cosmetically blemished fruits and vegetables) products, including potatoes, oranges, stone fruit, apples, watermelons, bananas, onions, pears, avocados, cabbage, grapefruit and corn on the cob to its 44 member food banks. The program has been an overwhelming success, delivering 63 million pounds of product in 2008 and 88 million pounds in 2009, while allowing low-income Californians to include healthful fresh foods in their diet.

#### Network for a Healthy California Program:

Working with the California Department of Public Health and through a statewide network of local food banks and non-profit organizations, CAFB delivers statewide programs with two major goals: 1) to reduce hunger and food insecurity in California by helping eligible people to enroll in the food stamp program, and 2) to simultaneously improve the nutritional status and reduce the incidence of preventable, diet-related disease for people living in low-income communities by delivering nutrition education.

#### Policy and Member Services Programs:

CAFB provides a variety of services such as information and referral, technical assistance, and member networking to help support food banks in operating strong organizations with high quality programming, and also acts as an advocate with a goal to reduce hunger in California.

### **Note 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### Basis of accounting:

The financial statements of the Association have been prepared on the accrual basis of accounting.

#### Basis of presentation:

In accordance with professional accounting standards, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has no permanently restricted net assets.

# CALIFORNIA ASSOCIATION OF FOOD BANKS

## NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2009 AND DECEMBER 31, 2008

### **Note 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

#### Office equipment:

Office equipment is recorded at cost when purchased or fair market value if donated. The cost of repairs and maintenance is expensed as incurred. Depreciation of capitalized equipment is calculated using the straight-line method over the estimated useful life of the asset.

#### Cash and cash equivalents:

Cash equivalents include highly liquid investments with a maturity of three months or less and exclude donor restricted receipts for long-term purposes. The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

#### Accounts and grants receivable:

Accounts and grants receivable represent amounts due from member food banks, grantors and contractors. Although the Association is on the allowance method, management has determined that an allowance for bad debts is not required.

#### Revenue recognition:

The Association recognizes revenue on the accrual basis of accounting. Revenue from program service fees, membership dues, and grants and contracts which have been classified as "exchange transactions" are recognized as revenue in the period in which the service is provided.

#### Contributions:

The Association accounts for contributions in accordance with professional accounting standards, where contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Donated assets and services:

Donated assets are recorded as contributions of their estimated fair values at the date of donation. Donated services are recognized as contributions if the services a) create or enhance non-financial assets or b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. Other donated services and materials that did not have a determinate value were not recorded.

# CALIFORNIA ASSOCIATION OF FOOD BANKS

## NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2009 AND DECEMBER 31, 2008

### **Note 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

#### Income taxes:

The Association is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation code. Accordingly, no provisions have been made for income taxes in the accompanying financial statements.

The Association recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a “more-likely-than-not” threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. As of December 31, 2009, the Association has had no uncertain tax positions. The Association is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. The Association recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. Income tax returns for the year prior to 2006 are no longer subject to examination by tax authorities.

#### Subsequent events:

Management has evaluated subsequent events through May 11, 2010, the date which the financial statements were available for issue. No significant events were identified that require any additional disclosure.

#### Reclassifications:

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

### **Note 4. RECEIPT OF UNSOLICITED GIFT:**

In 2009 CAFB received an unsolicited, unrestricted gift of \$600,000.

### **Note 5. OPERATING RESERVE:**

The CAFB board designated an operating reserve of \$500,000 in 2009.

### **Note 6. NATURE 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 certain reported amounts of assets and disclosures. Accordingly, actual results could differ from those estimates.

### **Note 7. CONCENTRATIONS OF CREDIT RISK:**

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and accounts and grants receivable. Cash and cash equivalents were held in financial institutions in the United States of America. Non-interest bearing deposits in these financial institutions are fully insured by the FDIC until June 30, 2010. Cash and cash equivalents in interest bearing accounts were held in financial institutions in amounts exceeding \$250,000, the guaranteed amount of the FDIC. The Organization has not experienced any losses in such accounts.

Accounts and grants receivable are from various food banks in California and government agencies.

## CALIFORNIA ASSOCIATION OF FOOD BANKS

### NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2009 AND DECEMBER 31, 2008

**Note 8. DEFERRED REVENUE AND OTHER LIABILITIES:**

Deferred revenue and other liabilities at December 31, 2009 and December 31, 2008, consisted of the following:

	2009	2008
Membership dues	\$ 9,036	\$ 54,554
NHC FSO contract advance	-	30,102
NHC NE contract advance	-	85,909
Other	-	1,730
	\$ 9,036	\$ 172,295

**Note 9. FARM TO FAMILY PRODUCE DEPOSITS:**

Farm to Family Produce Deposits represent funds received from members who participate in the Farm to Family Program. Deposited funds are held by the California Association of Food Banks and serve as a bridge of working capital, addressing the timing difference between payment for the purchase of produce and receipt of invoiced balances from members. At December 31, 2009 and 2008, Farm to Family Produce Deposits totaled \$390,197 and \$398,333, respectively.

**Note 10. RETIREMENT PLAN:**

The Association sponsors a retirement plan, under Section 403(b) of the Internal Revenue Code, which includes all employees. Employees are eligible to participate immediately upon employment. During the year ended December 31, 2009, the Association made a retirement contribution of \$9,231. The Association did not make a retirement contribution during the year ended December 31, 2008.

**Note 11. OFFICE EQUIPMENT:**

Office equipment at December 31 consisted of:

	2009	2008
Office equipment	\$ 20,893	\$ 20,893
Less accumulated depreciation	20,893	15,155
	\$ -	\$ 5,738

**Note 12. TEMPORARILY RESTRICTED NET ASSETS:**

Net assets were released from restriction during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Farm to Family Food Program	\$ 231,996
Public Policy and Member Services	250,000
Network for a Healthy California	321,102
Total net assets released from restriction	\$ 803,098

## CALIFORNIA ASSOCIATION OF FOOD BANKS

### NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2009 AND DECEMBER 31, 2008

**Note 13. TEMPORARILY RESTRICTED NET ASSETS (Continued):**

Temporarily restricted net assets as of December 31 were as follows:

	2009	2008
Farm to Family Food Program	\$ 253,728	\$ 157,475
Public Policy and Member Services	101,250	131,250
Network for a Healthy California	22,500	5,217
Total temporarily restricted net assets	\$ 377,478	\$ 293,942

**Note 14. OPERATING LEASE:**

At December 31, 2009, the Company is liable under long-term operating leases for real property and automobiles as follows:

Year Ending December, 31	Amount
2010	\$ 50,934
2011	72,925
2012	75,028
2013	77,412
2014	79,656
Thereafter	109,667
Total	\$ 465,622

The rental expenses under an operating lease for real property were \$70,787 and \$54,706 for the years ended December 31, 2009 and 2008, respectively.

**CALIFORNIA ASSOCIATION OF FOOD BANKS**

**SUPPLEMENTARY INFORMATION**

**CALIFORNIA ASSOCIATION OF FOOD BANKS**  
**SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	2009	2008
<b>MAJOR PROGRAMS</b>			
<u>Department of Agriculture</u>			
Passed through California Department of Public Health			
Food stamp outreach	10.561	\$ 2,288,384	\$ 992,314
Nutrition education	10.561	855,687	650,813
<b>TOTAL MAJOR PROGRAMS</b>		<u>3,144,071</u>	<u>1,643,127</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 3,144,071</u></u>	<u><u>\$ 1,643,127</u></u>

See notes to financial statements.

# **CALIFORNIA ASSOCIATION OF FOOD BANKS**

## **NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**

**DECEMBER 31, 2009 AND DECEMBER 31, 2008**

### ***Note 1 - Reporting Entity***

The Schedules of Expenditures of Federal Awards (the Schedule) include expenditures of federal awards for California Association of Food Banks as disclosed in the notes to the Financial Statements.

### ***Note 2 - Basis of Accounting***

The schedules of expenditures of federal awards include the federal grant activities of California Association of Food Banks and are presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
California Association of Food Banks

We have audited the financial statements of California Association of Food Banks for the years ended December 31, 2009, and have issued our report thereon dated May 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered California Association of Food Banks' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Association of Food Banks' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of California Association of Food Banks' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Association of Food Banks' financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, management, and government awarding agencies and pass-through entities, and it is not intended to be and should not be used by anyone other than these specified agencies.

*RINA accountancy corporation*

Certified Public Accountants

Oakland, California

May 11, 2010



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
California Association of Food Banks

**Compliance**

We have audited the compliance of California Association of Food Banks with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The California Association of Food Banks' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of California Association of Food Banks' management. Our responsibility is to express an opinion on California Association of Food Banks' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about California Association of Food Banks' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on California Association of Food Banks' compliance with those requirements.

In our opinion, California Association of Food Banks complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

**Internal Control over Compliance**

The management of California Association of Food Banks is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered California Association of Food Banks' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 California Association of Food Banks' internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the Board of Directors, management, and government awarding agencies and pass-through entities, and it is not intended to be and should not be used by anyone other than these specified agencies.

*BINA accountancy corporation*

Certified Public Accountants

Oakland, California  
May 11, 2010

**CALIFORNIA ASSOCIATION OF FOOD BANKS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED DECEMBER 31, 2009**

**Section I – Summary of Auditor’s Results**

**Financial Statements –**

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified	No
Reportable conditions identified that are not considered to be material weaknesses	No
Noncompliance material to financial statements noted	No

**Federal Awards –**

Internal control over major programs:	
Material weaknesses identified	No
Reportable conditions identified that are not considered to be material weaknesses	None
Noncompliance material to financial statements noted	No
Type of auditor’s report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No

**Identification of major program –**

State Administrative Matching Grants for Food Stamp Program	CFDA No. 10.561
Dollar threshold used to distinguish between type A and type B programs	\$ 300,000
Auditee qualified as low-risk auditee	Yes

**CALIFORNIA ASSOCIATION OF FOOD BANKS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2009**

**Section II– Financial Statements Findings**

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

**Section III – Federal Award Findings and Questioned Costs**

There are no findings or questioned costs for Federal awards as defined in OMB Circular A-133.