

CALIFORNIA ASSOCIATION OF FOOD BANKS

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

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND DECEMBER 31, 2009

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, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from California Association of Food Banks' 2009 financial statements and, in our report dated March 11, 2010, we expressed an unqualified opinion on those financial 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Association of Food Banks as of December 31, 2010 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2011 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the 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 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 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 taken as a whole.

RINA accountancy corporation

Certified Public Accountants

Oakland, California
August 24, 2011

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED DECEMBER 31, 2010

With Comparative Totals for the Period Ended December 31, 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,981,654	\$ 1,160,414
Accounts receivable	461,274	207,137
Grants receivable	69,799	88,250
Government contracts receivable	1,203,910	1,161,258
Other receivables	770,995	721,047
Prepaid expenses	<u>44,504</u>	<u>32,493</u>
 TOTAL CURRENT ASSETS	 4,532,136	 3,370,599
 OTHER ASSETS:		
Office equipment, net	-	-
Rent deposit	<u>13,814</u>	<u>9,780</u>
	<u>\$ 4,545,950</u>	<u>\$ 3,380,379</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 CURRENT LIABILITIES:		
Accounts payable	\$ 657,217	\$ 1,013,696
Accrued liabilities	1,492,539	540,365
Member deposits	486,239	390,197
Other liabilities	<u>297,477</u>	<u>9,036</u>
 TOTAL CURRENT LIABILITIES	 <u>2,933,472</u>	 <u>1,953,294</u>
 NET ASSETS:		
Unrestricted net assets:		
Undesignated	1,072,004	549,607
Board designated - operating reserve	<u>500,000</u>	<u>500,000</u>
 Total unrestricted net assets	 1,572,004	 1,049,607
Temporarily restricted net assets	<u>40,474</u>	<u>377,478</u>
 TOTAL NET ASSETS	 <u>1,612,478</u>	 <u>1,427,085</u>
	<u>\$ 4,545,950</u>	<u>\$ 3,380,379</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	2010		2009	
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE:				
Farm to Family	\$ 7,048,996	\$ -	\$ 7,048,996	\$ 5,770,232
Less charges of Farm to Family	<u>6,298,854</u>	<u>-</u>	<u>6,298,854</u>	<u>5,150,977</u>
Net revenue, Farm to Family	<u>750,142</u>	<u>-</u>	<u>750,142</u>	<u>619,255</u>
Network for a Healthy California	3,503,147	-	3,503,147	3,143,270
Less charges of NHC	<u>2,862,578</u>	<u>-</u>	<u>2,862,578</u>	<u>2,469,669</u>
Net revenue, NHC	<u>640,569</u>	<u>-</u>	<u>640,569</u>	<u>673,601</u>
Grants and contributions	154,342	55,000	209,342	973,345
Member dues	186,148	-	186,148	148,319
Donations	116,099	-	116,099	620,537
Interest and other	2,535	-	2,535	3,035
Net assets released from restrictions	<u>392,004</u>	<u>(392,004)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,241,839</u>	<u>(337,004)</u>	<u>1,904,835</u>	<u>3,038,092</u>
EXPENSES:				
Program services:				
Farm to Family	606,028	-	606,028	513,923
Network for a Healthy California	592,629	-	592,629	902,740
Policy and member services	221,021	-	221,021	295,635
Supporting services:				
General and administrative	272,189	-	272,189	215,619
Fundraising	<u>27,576</u>	<u>-</u>	<u>27,576</u>	<u>15,631</u>
TOTAL EXPENSES	<u>1,719,442</u>	<u>-</u>	<u>1,719,442</u>	<u>1,943,548</u>
CHANGE IN NET ASSETS	522,397	(337,004)	185,393	1,094,544
NET ASSETS, beginning of year	<u>1,049,607</u>	<u>377,478</u>	<u>1,427,085</u>	<u>332,541</u>
NET ASSETS, end of year	<u>\$ 1,572,004</u>	<u>\$ 40,474</u>	<u>\$ 1,612,478</u>	<u>\$ 1,427,085</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	Program Services			Supporting Services		Totals	
	<u>Farm to Family</u>	<u>Network for a Healthy California</u>	<u>Policy and Member Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Year Ended December 31, 2010</u>	<u>Year Ended December 31, 2009</u>
Salaries	\$ 228,988	\$ 280,975	\$ 106,403	\$ 161,853	\$ 20,773	\$ 798,992	\$ 713,188
Payroll tax	19,594	23,342	9,270	13,215	1,674	67,095	56,649
Employee benefits	36,709	45,500	12,701	22,777	2,654	120,341	73,986
Hiring and training expense	1,612	172	360	1,598	-	3,742	1,276
Accounting services	-	9,204	-	9,796	-	19,000	22,480
Contract services	108,459	146,705	57,231	18,673	227	331,295	561,043
Occupancy	15,388	34,176	6,449	9,350	1,215	66,578	70,786
Telecommunications	6,350	7,368	4,068	3,731	338	21,855	19,215
Supplies and equipment expense	8,367	10,762	4,028	6,152	548	29,857	36,431
Printing and postage	1,559	13,933	1,754	5,982	47	23,275	29,486
Marketing	8,466	-	5,250	-	-	13,716	11,541
Meeting and travel	16,796	17,518	12,292	6,769	25	53,400	53,364
Insurance	16	(131)	13	4,411	1	4,310	7,263
License, fees and permits	834	924	406	4,244	74	6,482	4,398
Dues and subscriptions	-	2,181	300	431	-	2,912	4,320
Member produce subsidy	139,287	-	-	-	-	139,287	83,847
Member grants	-	-	-	-	-	-	175,000
Produce expense and transportation	13,192	-	-	-	-	13,192	11,460
Interest expense and bank charges	-	-	10	469	-	479	891
Depreciation	-	-	-	-	-	-	5,738
Miscellaneous	410	-	486	2,738	-	3,634	1,186
TOTAL EXPENSES	<u>\$ 606,028</u>	<u>\$ 592,629</u>	<u>\$ 221,021</u>	<u>\$ 272,189</u>	<u>\$ 27,576</u>	<u>\$ 1,719,442</u>	<u>\$ 1,943,548</u>
Percentage of Total	35.2%	34.5%	12.9%	15.8%	1.6%	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, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 185,393	\$ 1,094,544
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	-	5,738
(Increase) decrease in operating assets:		
Accounts receivable	(254,137)	19,054
Grants receivable	18,451	(81,450)
Government contracts receivable	(42,652)	(857,830)
Other receivable	(49,948)	(305,679)
Prepaid expenses	(16,045)	(23,994)
Increase (decrease) in operating liabilities:		
Accounts payable	(356,479)	518,552
Accrued liabilities	952,174	264,221
Member deposits	96,042	(8,136)
Other liabilities	288,441	(163,259)
	821,240	461,761
NET CASH PROVIDED BY OPERATING ACTIVITIES	821,240	461,761
NET INCREASE IN CASH	821,240	461,761
CASH, beginning of year	1,160,414	698,653
CASH, end of year	\$ 1,981,654	\$ 1,160,414

See notes to financial statements.

CALIFORNIA ASSOCIATION OF FOOD BANKS

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 AND DECEMBER 31, 2009

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 to its 43 member food banks and other select partners. The program has been an overwhelming success, increasing its distribution of fresh produce by an average of 20 million pounds per year since 2008 to over 102 million pounds in 2010, while allowing low-income Californians to include healthful fresh foods in their diet. In 2010 this distribution was valued at over \$66,000,000. Because CAFB acts as an intermediary agent on behalf of its member food banks, this valuation is not recognized as a contribution.

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 CalFresh (formerly known as 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, 2010 AND DECEMBER 31, 2009

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.

The CAFB Farm to Family program acts as intermediary agent for its food bank members, soliciting donations of produce for distribution to those food banks. Because CAFB acts as intermediary agent on behalf of its member food banks, these donations are not recognized as contributions. In 2010 those donations totaled 102,610,831 pounds with a fair market value totaling \$66,697,040.

CALIFORNIA ASSOCIATION OF FOOD BANKS

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 AND DECEMBER 31, 2009

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

Functional Allocation of Expenses:

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

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, 2010, 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 years prior to 2006 are no longer subject to examination by tax authorities.

Subsequent events:

Management has evaluated subsequent events through August 24, 2011, 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 2010 CAFB received an unsolicited, unrestricted gift of \$100,000. 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.

CALIFORNIA ASSOCIATION OF FOOD BANKS

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 AND DECEMBER 31, 2009

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. The Association places its cash and cash equivalents with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Association has not experienced any losses in such accounts.

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

Note 8. OTHER LIABILITIES:

Deferred revenue and other liabilities at December 31, 2010 and December 31, 2009, consisted of the following:

	2010	2009
Membership dues	\$ 3,552	\$ 9,036
Feeding America subsidy passthrough	293,925	-
Total deferred revenue and other liabilities	\$ 297,477	\$ 9,036

Note 9. MEMBER DEPOSITS:

Member Deposits represent funds received from member food banks that 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, 2010 and 2009, Farm to Family Produce Deposits totaled \$486,239 and \$390,197, 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, 2010 and 2009, the Association made a retirement contribution of \$24,737 and \$9,231, respectively.

Note 11. OFFICE EQUIPMENT:

Office equipment at December 31 consisted of:

	2010	2009
Office equipment	\$ 20,893	\$ 20,893
Less accumulated depreciation	20,893	20,893
Net book value	\$ -	\$ -

CALIFORNIA ASSOCIATION OF FOOD BANKS

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2010 AND DECEMBER 31, 2009

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	\$ 268,254
Public Policy and Member Services	101,250
Network for a Healthy California	<u>22,500</u>
 Total net assets released from restriction	 <u><u>\$ 392,004</u></u>

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

	2010	2009
Farm to Family Food Program	\$ 35,474	\$ 253,728
Public Policy and Member Services	-	101,250
Network for a Healthy California	<u>5,000</u>	<u>22,500</u>
 Total temporarily restricted net assets	 <u><u>\$ 40,474</u></u>	 <u><u>\$ 377,478</u></u>

Note 13. OPERATING LEASE:

At December 31, 2010, the Association is liable under long-term operating leases for real property and automobiles as follows:

Year Ending December, 31	Amount
2011	\$ 83,445
2012	79,948
2013	78,642
2014	79,656
2015	<u>47,506</u>
 Total	 <u><u>\$ 369,197</u></u>

The rental expenses under an operating lease for real property were \$66,578 and \$70,787 for the years ended December 31, 2010 and 2009, respectively.

CALIFORNIA ASSOCIATION OF FOOD BANKS

SUPPLEMENTARY INFORMATION

CALIFORNIA ASSOCIATION OF FOOD BANKS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures Per Grant</u>	<u>Federal Expenditures Pass-Through Grantor</u>
<u>U.S. Department of Agriculture</u>			
Passed through California Department of Public Health			
Food stamp outreach	10.561		\$ 2,466,653
Nutrition education	10.561		<u>1,052,349</u>
Total Federal Awards			<u>\$ 3,519,002</u>

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of California Association of Food Banks and is 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 basic financial statements.



**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***

The Board of Directors
California Association of Food Banks

We have audited the financial statements of California Association of Food Banks for the year ended December 31, 2010, and have issued our report thereon dated August 24, 2011. 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 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 federal awarding agencies and pass-through entities, and it is not intended to be and should not be used by anyone other than these specified parties.

RINA accountancy corporation

Certified Public Accountants

Oakland, California
August 24, 2011



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

The Board of Directors
California Association of Food Banks

Compliance

We have audited California Association of Food Banks’ compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on California Association of Food Banks’ major federal programs for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2010.

Internal Control over Compliance

Management of California Association of Food Banks is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered California Association of Food Banks' internal control over compliance with the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of California Association of Food Banks' internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended 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
August 24, 2011

CALIFORNIA ASSOCIATION OF FOOD BANKS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2010

SUMMARY OF AUDITORS' RESULTS:

- 1) The auditor's report expresses an unqualified opinion on the financial statement of California Association of Food Banks.
- 2) No significant deficiencies relating to the audit of the financial statements were reported in the 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.
- 3) No instances of noncompliance material to the financial statements of California Association of Food Banks were disclosed during the audit.
- 4) No significant deficiencies relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
- 5) The auditor's report on compliance for major federal award programs for California Association of Food Banks expresses an unqualified opinion.
- 6) There are no audit findings relative to the major federal award programs for California Association of Food Banks reported in this schedule.
- 7) The following programs were tested as major federal award programs:
 - Federal Agency: U.S. Department of Agriculture
 - CFDA: 10.561
 - Program title: State Administrative Matching Grants for Food Stamp Program
- 8) The threshold for distinguishing Type A and B programs was \$300,000.
- 9) California Association of Food Banks did qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT:

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT:

None