

**BAY AREA FOOD BANK, INCORPORATED**  
**FINANCIAL REPORT**  
**DECEMBER 31, 2010**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Bay Area Food Bank, Incorporated  
Mobile, Alabama

I have audited the accompanying statements of financial position of Bay Area Food Bank, Incorporated as of December 31, 2010 and 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. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Food Bank, Incorporated as of December 31, 2010 and 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*, I have also issued my report dated May 20, 2011, on my consideration of Bay Area Food Bank, Incorporated's internal control over financial reporting and on my 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 my 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 my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Bay Area Food Bank, Incorporated 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Kim K. Enikeieff*

Mobile, Alabama  
May 20, 2011

**BAY AREA FOOD BANK, INCORPORATED**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash	\$ 777,831	\$ 632,549
Restricted cash	-	79,731
Contributions receivable	39,725	-
Accounts receivable, less allowance for doubtful accounts of \$40,000 for 2010 and \$15,000 for 2009	70,109	52,655
Grants and other receivables	157,107	79,800
Inventory	4,376,910	2,866,548
Prepaid expenses	32,284	24,692
Investments	76,959	70,275
Property, plant and equipment - net	<u>4,293,010</u>	<u>4,325,850</u>
<b>Total assets</b>	<u><b>\$ 9,823,935</b></u>	<u><b>\$ 8,132,100</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and other accrued expenses	\$ 18,942	\$ 23,838
Accrued payroll and related taxes	23,327	16,766
Accrued vacation pay	36,390	30,156
Deferred revenue	810	12,051
Notes payable	<u>628,899</u>	<u>1,212,114</u>
<b>Total liabilities</b>	<u><b>708,368</b></u>	<u><b>1,294,925</b></u>
<b>Net assets</b>		
<b>Unrestricted</b>		
Operating	4,738,657	3,890,896
Contributed food	<u>4,376,910</u>	<u>2,866,548</u>
<b>Total unrestricted</b>	<b>9,115,567</b>	<b>6,757,444</b>
Temporarily restricted	-	79,731
Permanently restricted	<u>-</u>	<u>-</u>
<b>Total net assets</b>	<u><b>9,115,567</b></u>	<u><b>6,837,175</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$ 9,823,935</b></u>	<u><b>\$ 8,132,100</b></u>

See notes to financial statements.

**BAY AREA FOOD BANK, INCORPORATED**  
**STATEMENTS OF ACTIVITIES**  
**For the Year Ended December 31, 2010 and 2009**

	Unrestricted		Unrestricted		2010 Total	Temporarily Restricted	Contributed Food	Temporarily Restricted	2009 Total
	Food Bank	Contributed Food	Food Bank	Contributed Food					
Support and revenue									
Support									
Contributed food received	\$ 626,979	-	\$ 28,114,518	\$ -	\$ 28,114,518	-	\$ 19,814,508	-	\$ 19,814,508
Fees and grants from government agencies	17,496	-	-	-	626,979	-	-	-	717,703
City of Mobile	2,500	-	-	-	17,496	-	-	-	17,496
City of Pensacola	324,206	-	-	-	2,500	-	-	-	5,000
Child Nutrition Program	88,274	-	-	-	324,206	-	-	-	281,768
United Way Allocation	45,128	-	-	-	88,274	-	-	-	88,502
Emergency Food and Shelter	1,719,151	-	-	-	45,128	-	-	-	51,465
Contributions and grants	2,823,734	-	-	-	1,719,151	-	-	140,000	984,732
Total support	1,729,709	-	28,114,518	-	30,938,252	-	19,814,508	140,000	21,961,174
Revenue	181,899	-	-	-	1,729,709	-	-	-	1,660,543
Shared maintenance - Mobile	7,844	-	-	-	181,899	-	-	-	140,437
Shared maintenance - Milton	55,234	-	-	-	7,844	-	-	-	8,350
Investment income	34,572	-	-	-	55,234	-	-	-	31,875
Other income	2,009,258	-	-	-	34,572	-	-	-	22,927
Fund-raising	79,731	-	-	-	2,009,258	-	-	-	1,864,132
Total revenue	4,912,723	-	28,114,518	(79,731)	32,947,510	118,466	19,814,508	21,534	23,825,306
Net assets released from restrictions									
Total support and revenue	1,353,346	26,604,156	28,114,518	(79,731)	32,947,510	118,466	19,814,508	21,534	23,825,306
Expenses									
Program services									
Contributed food distributed	-	-	-	-	26,604,156	-	19,374,255	-	19,374,255
Food procurement	1,353,346	-	-	-	1,353,346	-	-	-	1,116,763
Transportation	485,403	-	-	-	485,403	-	-	-	264,035
Nutrition programs	281,112	-	-	-	281,112	-	-	-	251,994
Agency/volunteer services	130,217	-	-	-	130,217	-	-	-	138,321
Mobile facility	609,410	-	-	-	609,410	-	-	-	595,531
Milton facility	462,537	-	-	-	462,537	-	-	-	355,252
Total program services	3,322,025	26,604,156	26,604,156	-	29,926,181	2,721,896	19,374,255	-	22,096,151
Supporting services									
Management and general	538,621	-	-	-	538,621	-	-	-	485,080
Fund-raising	204,316	-	-	-	204,316	-	-	-	191,916
Total expenses	4,064,962	26,604,156	26,604,156	(79,731)	30,669,118	3,398,892	19,374,255	-	22,773,147
Change in net assets	847,761	1,510,362	1,510,362	(79,731)	2,278,392	590,372	440,253	21,534	1,052,159
Net assets, beginning of period	3,890,896	2,866,548	2,866,548	79,731	6,837,175	3,300,524	2,426,295	58,197	5,785,016
Net assets, end of period	\$ 4,738,657	\$ 4,376,910	\$ 4,376,910	\$ -	\$ 9,115,567	\$ 3,890,896	\$ 2,866,548	\$ 79,731	\$ 6,837,175

See notes to financial statements.

BAY AREA FOOD BANK, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010 with Comparative Totals for 2009

	PROGRAM SERVICES										SUPPORTING SERVICES	
	Food Procurement	Transportation	Nutrition Programs	Agency Volunteer Services	Mobile Facility	Milton Facility	Total	Management and General	Fund-raising	2010 Total Expenses	2009 Total Expenses	
Salaries	\$ 18,448	\$ 162,347	\$ 208,726	\$ 99,132	\$ 203,710	\$ 203,938	\$ 896,301	\$ 301,753	\$ 33,026	\$ 1,231,080	\$ 1,027,178	
Payroll taxes	1,039	13,500	17,655	8,308	17,655	17,655	75,812	24,923	3,115	103,850	81,135	
Employee benefits	1,750	22,753	29,753	14,002	29,753	29,753	127,764	42,008	5,251	175,023	130,535	
Total personnel	21,237	198,600	256,134	121,442	251,118	251,346	1,099,877	368,684	41,392	1,509,955	1,238,848	
Bad debt expense	-	-	-	-	-	-	-	25,000	-	25,000	15,000	
Bank charges	-	-	-	-	-	-	-	3,331	-	3,331	3,251	
Conferences	-	-	-	-	-	-	-	12,905	-	12,905	13,185	
Direct mail expense	-	-	-	-	-	-	-	-	123,970	123,970	113,862	
Dues and membership fees	-	-	-	-	-	-	-	10,946	-	10,946	10,002	
Food procurement	1,236,112	-	-	-	-	-	1,236,112	-	-	1,236,112	1,042,855	
Freight-in	95,997	-	-	-	-	-	95,997	-	-	95,997	66,814	
Gas and oil	-	111,895	-	-	-	-	111,895	-	-	111,895	95,564	
Insurance	-	25,753	-	-	-	-	82,498	-	-	84,973	82,210	
Information system expense	-	-	-	-	-	-	-	2,475	-	2,475	55,006	
Interest expense	-	-	-	-	-	-	-	36,228	-	36,228	51,114	
Meals and lodging	-	-	-	-	738	50,376	51,114	-	-	51,114	72,982	
Miscellaneous	-	-	-	-	51,248	-	51,248	15,249	-	15,249	14,364	
Printing and publications	-	-	-	-	2,027	-	2,027	7,040	-	30,185	39,152	
Professional fees	-	-	-	-	-	-	-	13,924	21,118	35,042	28,512	
Repairs and maintenance	-	62,322	-	-	-	-	147,398	-	-	147,398	109,256	
Special events	-	-	-	-	68,642	16,434	85,076	-	13,794	13,794	12,285	
Supplies and postage	-	-	24,978	-	37,825	10,992	73,795	12,899	4,042	90,736	42,175	
Travel	-	-	-	-	-	-	-	21,615	-	21,615	27,335	
Utilities	-	-	-	-	104,583	36,107	140,690	-	-	140,690	122,174	
Volunteer recognition	-	-	-	8,775	-	-	8,775	-	-	8,775	4,790	
Total expenses before contributed food distributed and depreciation	1,353,346	398,570	281,112	130,217	542,527	395,654	3,101,426	530,296	204,316	3,836,038	3,184,469	
Contributed food distributed	26,604,156	-	-	-	-	-	26,604,156	-	-	26,604,156	19,374,255	
Depreciation	-	86,833	-	-	66,883	66,883	220,599	8,325	-	228,924	214,423	
Total expenses	\$ 27,957,502	\$ 485,403	\$ 281,112	\$ 130,217	\$ 609,410	\$ 462,537	\$ 29,926,181	\$ 538,621	\$ 204,316	\$ 30,668,118	\$ 22,773,147	

See notes to financial statements.

**BAY AREA FOOD BANK, INCORPORATED**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,278,392	\$ 1,052,159
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	228,924	214,423
Bad debt expense	25,000	15,000
Donated stocks and bonds	-	(10,962)
Net unrealized (gain) loss on investments	(3,416)	(3,031)
(Increase) decrease in:		
Unconditional promises to give	(39,725)	37,410
Accounts receivable	(42,454)	(41,719)
Grants and other receivables	(77,307)	35,382
Inventory	(1,510,362)	(440,253)
Prepaid expenses	(7,592)	642
Increase (decrease) in:		
Accounts payable	(4,896)	(58,508)
Accrued payroll and related taxes	6,561	5,830
Accrued vacation pay	6,234	2,422
Deferred revenue	(11,241)	12,051
Net cash provided by operating activities	<u>848,118</u>	<u>820,846</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(3,268)	(3,146)
Purchases of property, plant and equipment	(196,084)	(74,319)
Net cash used by investing activities	<u>(199,352)</u>	<u>(77,465)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable	95,711	-
Payments of long-term debt	(678,926)	(347,552)
Net cash used by financing activities	<u>(583,215)</u>	<u>(347,552)</u>
Net increase in cash	65,551	395,829
Cash, beginning of year	<u>712,280</u>	<u>316,451</u>
Cash, end of year	<u>\$ 777,831</u>	<u>\$ 712,280</u>
Supplemental disclosures:		
Cash paid during the year for interest	<u>\$ 51,774</u>	<u>\$ 75,073</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Organization

Bay Area Food Bank, Incorporated is a non-profit, tax exempt food distribution center committed to providing nutritionally balanced food for hungry people in 24 counties located in Alabama, Florida and Mississippi. The Organization solicits, obtains and distributes donated and purchased foods to soup kitchens, pantries, shelters, and other organizations which are member agencies. These agencies provide the food to hungry people.

The Organization is directed by an active Board of Directors whose members serve without compensation.

### Summary of Significant Accounting Policies

#### Basis of presentation

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

#### Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

#### Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### Permanently restricted

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

### Recognition of donor restricted contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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, temporarily restricted net assets are reclassified to unrestricted net assets.

### Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

### Cash

For purposes of the statement of cash flows, cash includes petty cash on hand and cash deposited with local commercial banks.



## **Summary of Significant Accounting Policies (continued)**

### **Accounts receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. The allowance for doubtful accounts at December 31, 2010 and 2009 was \$40,000 and \$15,000, respectively. Changes in the valuation allowance have not been material to the financial statements.

### **Investments**

Investments are composed of cash, equities, and corporate debt and are carried at fair value. Unrealized gains and losses are included in the change in net assets.

### **Inventory**

Contributed food is valued on a first-in, first-out basis using a weighted average wholesale price per pound (\$1.60 for 2010 and \$1.58 for 2009) as determined by America's Second Harvest.

### **Property and equipment**

Property and equipment owned by the Organization is recorded at cost or at fair market value at date received if donated. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets. Depreciation expense was \$228,924 and \$214,423 in 2010 and 2009, respectively.

### **Income taxes**

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501 (c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

### **Donated materials and services**

Donated materials or equipment, when received, are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's program services.

### **Functional expenses**

Functional expenses have been allocated among the program and supporting services based upon an analysis of the expenses and benefits derived.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Comparative amounts**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

### Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes for the year ended December 31:

	<u>2010</u>	<u>2009</u>
Program services	\$ -	\$ 79,731
Total	<u>\$ -</u>	<u>\$ 79,731</u>

### Promises to Give

Unconditional promises to give at December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 39,725	\$ -
Receivable in one to five years	-	-
Total unconditional promises to give	<u>39,725</u>	<u>-</u>
Less allowance for uncollectible promises	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 39,725</u>	<u>\$ -</u>

The discount on the long-term promises to give to determine the net present value was not significant.

### Inventory

A summary of inventory is as follows:

	<u>2010</u>	<u>2009</u>
Food	\$ 3,723,922	\$ 2,233,974
Beverages	388,232	177,570
Supplies	<u>264,756</u>	<u>455,004</u>
Total	<u>\$ 4,376,910</u>	<u>\$ 2,866,548</u>

## Investments

Investments are stated at fair value and are summarized as follows as of December 31:

	Cost	2010		Unrealized Appreciation (Depreciation)
		Fair Value		
Cash	\$ 37,989	\$ 37,989		\$ -
Equities	39,380	38,970		(410)
<b>Total</b>	<b>\$ 77,369</b>	<b>\$ 76,959</b>		<b>\$ (410)</b>

  

	Cost	2009		Unrealized Appreciation (Depreciation)
		Fair Value		
Cash	\$ 4,721	\$ 4,721		\$ -
Equities	40,078	36,298		(3,780)
Corporate debt	29,302	29,256		(46)
<b>Total</b>	<b>\$ 74,101</b>	<b>\$ 70,275</b>		<b>\$ (3,826)</b>

Investment return for the years ended December 31, 2010 and 2009 are summarized as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 4,428	\$ -	\$ -	\$ 4,428
Realized gains (losses)	-	-	-	-
Unrealized gains (losses)	3,416	-	-	3,416
Administrative fees	-	-	-	-
<b>Total</b>	<b>\$ 7,844</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,844</b>

  

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 5,319	\$ -	\$ -	\$ 5,319
Realized gains (losses)	-	-	-	-
Unrealized gains (losses)	3,031	-	-	3,031
Administrative fees	-	-	-	-
<b>Total</b>	<b>\$ 8,350</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,350</b>

### Furniture, Fixtures and Equipment

Furniture, fixtures and equipment at December 31 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 203,345	\$ 203,345
Building and improvements	4,243,397	4,243,397
Warehouse equipment	409,619	350,464
Office equipment	200,267	189,320
Transportation equipment	786,468	660,486
	<hr/>	<hr/>
	5,843,096	5,647,012
Less accumulated depreciation	1,550,086	1,321,162
	<hr/>	<hr/>
Total	\$ 4,293,010	\$ 4,325,850

The Organization capitalizes interest expense as part of the cost of construction of facilities and equipment.

### Notes Payable

Notes payable consist of the following:

	<u>2010</u>	<u>2009</u>
Monthly installments through June, 2012 of \$1,588 including interest at a rate of 3.24%, with a final installment of \$246,637 due on June 10, 2012. The mortgage is secured by the Organization's land and buildings. The note was paid in full in 2010.	\$ -	\$ 273,162
Monthly installments through October, 2017 of \$6,845 including interest at a rate of 5.44%, with a final installment of \$129,274 due on November 29, 2017. The mortgage is secured by the Organization's land and buildings.	557,116	938,952
Annual installments through December, 2013 of \$23,928 including interest at a variable rate which was 2.00% at December 31, 2010. The note is secured by transportation equipment.	71,783	-
	<hr/>	<hr/>
Total	\$ 628,899	\$ 1,212,114

Aggregate maturities or payments required on principal under notes payable for each of the succeeding years are as follows:

2011	\$ 77,073
2012	80,038
2013	83,166
2014	62,543
2015	66,032
Thereafter	260,047
	<hr/>
Total	\$ 628,899

### Retirement Plan

The Organization sponsors a savings incentive match plan in which substantially all employees are eligible to participate. This plan allows eligible employees to save a portion of their salary on a pre-tax basis. The Organization makes monthly contributions to this plan which aggregated \$32,899 and \$28,897 for the years ended December 31, 2010 and 2009, respectively.

### Concentration of Credit Risk

The Organization serves various non-profit agencies located in South Alabama through the operation of a food bank. The Organization is dependent on the generosity of food suppliers and the general public for contributions. The Organization also receives grants from United Way.

At various times during the year, the Organization's cash in bank balances exceeded federally insured limits. At December 31, 2010, the Organization had \$436,295 in uninsured cash. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

### Fair Value Measurements

Fair value of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	Fair Value Measurement at Reporting Date Using Quoted Prices In Active Markets for Identical Assets (Level 1)	
	Fair Value	
December 31, 2010		
Short term investments:	<u>\$ 76,959</u>	<u>\$ 76,959</u>
Total	<u>\$ 76,959</u>	<u>\$ 76,959</u>
December 31, 2009		
Short term investments:	<u>\$ 70,275</u>	<u>\$ 70,275</u>
Total	<u>\$ 70,275</u>	<u>\$ 70,275</u>

Fair values for short-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

### Evaluation of Subsequent Events

The Organization has evaluated subsequent events through May 20, 2011, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**BAY AREA FOOD BANK, INCORPORATED**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2010**

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
U. S. Department of Agriculture Pass Through Programs From:			
State of Alabama Department of Education - Commodities	10.569		\$ 2,029,874
State of Alabama Department of Education - Administrative Costs	10.568		259,810
State of Alabama Department of Education - Administrative Costs - ARRA	10.568		87,867
Florida Department of Agriculture and Consumer Services - Commodities	10.569		1,954,725
Florida Department of Agriculture and Consumer Services - Commodities - ARRA	10.569		152,820
Florida Department of Agriculture and Consumer Services - Administrative Costs	10.568		279,302
State of Alabama Department of Education - Child and Adult Care Food Program	10.558		74,034
State of Mississippi Department of Education - Child and Adult Care Food Program	10.558		20,251
State of Florida Department of Health - Child and Adult Care Food Program	10.558		9,888
State of Alabama Department of Education - Summer Food Service Program for Children	10.559		183,532
State of Mississippi Department of Education - Summer Food Service Program for Children	10.559		21,963
State of Florida Department of Health - Summer Food Service Program for Children	10.559		<u>14,538</u>
Total U. S. Department of Agriculture			<u>5,088,604</u>
Department of Homeland Security Pass Through Programs From:			
United Way of Southwest Alabama, Inc.	97.114		<u>45,128</u>
Total Department of Homeland Security			<u>45,128</u>
Total Expenditures of Federal Awards			<u>\$ 5,133,732</u>

**BAY AREA FOOD BANK, INCORPORATED**

**NOTES to the SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2010**

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bay Area Food Bank, Incorporated, 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.

**INSURANCE COVERAGE**

Insurance coverage was in effect for the year to replace the contents of the building and the leased space in the amount of \$750,000.

**FOOD DONATION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At December 31, 2010, the Organization had food commodities totaling \$4,376,910 in inventory.

**Kim K. Enikeieff**  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Board of Directors  
Bay Area Food Bank, Incorporated  
Mobile, Alabama

I have audited the financial statements of Bay Area Food Bank, Incorporated as of and for the year ended December 31, 2010, and have issued my report thereon dated May 20, 2011. I conducted my 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 my audit, I considered Bay Area Food Bank, Incorporated's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Area Food Bank Incorporated's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bay Area Food Bank, Incorporated's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Kim K. Enikeieff*

May 20, 2011

**Kim K. Enikeieff**  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
Bay Area Food Bank, Incorporated  
Mobile, Alabama

Compliance

I have audited Bay Area Food Bank, Incorporated compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bay Area Food Bank, Incorporated's major federal programs for the year ended December 31, 2010. Bay Area Food Bank, Incorporated's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bay Area Food Bank, Incorporated's management. My responsibility is to express an opinion on Bay Area Food Bank, Incorporated's compliance based on my audit.

I conducted my 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 I 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 Bay Area Food Bank, Incorporated's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Bay Area Food Bank, Incorporated's compliance with those requirements.

In my opinion, Bay Area Food Bank, Incorporated 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, 2010.

### Internal Control Over Compliance

Management of Bay Area Food Bank, Incorporated 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 my audit, I considered Bay Area Food Bank, Incorporated's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of Bay Area Food Bank, Incorporated'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 a 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.

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

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

*Kim K. Enikeieff*

May 20, 2011

**BAY AREA FOOD BANK, INCORPORATED**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2010**

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Bay Area Food Bank, Incorporated.
2. No significant deficiencies or material weaknesses were disclosed in the audit of the financial statements of Bay Area Food Bank, Incorporated.
3. No instances of noncompliance material to the financial statements of Bay Area Food Bank, Incorporated were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit of the financial statements of Bay Area Food Bank, Incorporated.
5. The auditor's report on compliance for the major federal award programs for Bay Area Food Bank, Incorporated expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included: CFDA 10.568 - U. S. Department of Agriculture Emergency Food Assistance Program (Administrative Costs) and CFDA 10.569 U. S. Department of Agriculture Emergency Food Assistance Program (Food Commodities).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Bay Area Food Bank, Incorporated qualified as a low-risk auditee.

**FINDINGS-FINANCIAL STATEMENT AUDIT**

NONE

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE