



**FOODLINK, INC. AND SUBSIDIARIES  
(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**JUNE 30, 2011 and 2010**

**WITH**

**INDEPENDENT AUDITORS' REPORTS**



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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
FoodLink, Inc. and Subsidiaries  
(d/b/a Regional Food Bank of Oklahoma)

We have audited the accompanying consolidated statements of financial position of FoodLink, Inc., and Subsidiaries (d/b/a Regional Food Bank of Oklahoma, collectively referred to as Food Bank) as of June 30, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The summarized comparative information for the year ended June 30, 2009, has been derived from Food Bank's 2009 financial statements and, in our report dated October 26, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Food Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Food Bank as of June 30, 2011 and 2010, and the consolidated activities and consolidated 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 September 27, 2011, on our consideration of Food Bank's 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 performed for the purpose of forming an opinion on the basic financial statements of Food Bank taken as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and other supplemental information on pages 18 through 28 are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Hogan Taylor LLP*

September 27, 2011

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30, 2011 and 2010**

	2011	2010
<b>Assets</b>		
Cash and cash equivalents	\$ 9,670,663	\$ 6,878,969
Accounts receivable, less allowance for doubtful accounts	839,398	2,235,179
Unconditional promises to give, net	1,597,507	1,515,415
Inventory	3,887,495	7,840,023
Investments	3,822,066	3,501,304
Beneficial interests in assets held by community foundations	570,329	500,021
Property, plant, and equipment, net of accumulated depreciation	11,362,403	11,708,015
Other assets	64,427	26,495
	<b>\$ 31,814,288</b>	<b>\$ 34,205,421</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 254,023	\$ 1,443,107
Accrued expenses	434,280	501,277
	688,303	1,944,384
<b>Net assets:</b>		
Unrestricted	26,553,667	27,518,381
Temporarily restricted	3,339,496	3,560,834
Permanently restricted	1,232,822	1,181,822
	31,125,985	32,261,037
Total net assets	<b>\$ 31,814,288</b>	<b>\$ 34,205,421</b>
Total liabilities and net assets	<b>\$ 31,814,288</b>	<b>\$ 34,205,421</b>

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2011**  
 (and Summarized Totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	Summarized Totals for 2010
<b>Revenues, Gains and Other Support</b>					
Value of contributed inventory, including USDA commodities	\$45,292,440	\$ -	\$ -	\$45,292,440	\$44,934,751
Handling fees and reimbursements for purchased products and related storage and distribution costs	4,072,356	-	-	4,072,356	5,872,793
Government contracts	3,549,074	-	-	3,549,074	3,021,523
Government grants	170,000	-	-	170,000	170,000
Contributed income:					
Corporate	1,695,766	667,127	-	2,362,893	1,326,235
Grants and foundations	631,740	663,739	51,000	1,346,479	1,847,194
Individuals	2,618,118	1,245,919	-	3,864,037	2,943,819
Special events	393,424	123,704	-	517,128	694,944
Other	41,085	244,023	-	285,108	119,079
Other income	124,549	-	-	124,549	168,328
Interest income	72,165	37,256	-	109,421	96,451
Net unrealized/realized gain on investments	447,336	52,604	-	499,940	159,627
Funds released from restriction	3,255,710	(3,255,710)	-	-	-
<b>Total revenues, gains and other support</b>	<b>62,363,763</b>	<b>(221,338)</b>	<b>51,000</b>	<b>62,193,425</b>	<b>61,354,744</b>
<b>Expenses</b>					
Program services:					
Value of inventory distributed, including shrinkage and spoilage	47,795,014	-	-	47,795,014	43,901,811
Other program services	13,317,534	-	-	13,317,534	11,160,738
	61,112,548	-	-	61,112,548	55,062,549
Supporting services:					
Management and general	786,503	-	-	786,503	715,735
Fundraising	1,429,426	-	-	1,429,426	1,373,433
<b>Total expenses</b>	<b>63,328,477</b>	<b>-</b>	<b>-</b>	<b>63,328,477</b>	<b>57,151,717</b>
Changes in net assets	(964,714)	(221,338)	51,000	(1,135,052)	4,203,027
Net assets, beginning of year	27,518,381	3,560,834	1,181,822	32,261,037	28,058,010
Net assets, end of year	\$26,553,667	\$ 3,339,496	\$ 1,232,822	\$31,125,985	\$32,261,037

**FOODLINK, INC. AND SUBSIDIARIES**  
(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended June 30, 2010**  
(and Summarized Totals for 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	Summarized Totals for 2009
<b>Revenues, Gains and Other Support</b>					
Value of contributed inventory, including USDA commodities	\$ 44,934,751	\$ -	\$ -	\$ 44,934,751	\$ 31,727,786
Handling fees and reimbursements for purchased products and related storage and distribution costs	5,872,793	-	-	5,872,793	6,190,855
Government contracts	3,021,523	-	-	3,021,523	222,382
Government grants	170,000	-	-	170,000	171,930
Contributed income:					
Corporate	1,078,204	248,031	-	1,326,235	643,882
Grants and foundations	360,538	1,385,256	101,400	1,847,194	2,979,493
Individuals	2,812,907	130,912	-	2,943,819	2,432,976
Special events	642,811	52,133	-	694,944	761,810
Other	41,792	77,287	-	119,079	138,401
Other income	168,328	-	-	168,328	55,141
Interest income	73,982	22,469	-	96,451	42,741
Net unrealized/realized gain (loss) on investments	163,826	(4,199)	-	159,627	(389,605)
Funds released from restriction	2,455,402	(2,455,402)	-	-	-
<b>Total revenues, gains and other support</b>	<b>61,796,857</b>	<b>(543,513)</b>	<b>101,400</b>	<b>61,354,744</b>	<b>44,977,792</b>
<b>Expenses</b>					
Program services:					
Value of inventory distributed, including shrinkage and spoilage	43,901,811	-	-	43,901,811	31,935,046
Other program services	11,160,738	-	-	11,160,738	8,930,567
	55,062,549	-	-	55,062,549	40,865,613
Supporting services:					
Management and general	715,735	-	-	715,735	564,161
Fundraising	1,373,433	-	-	1,373,433	956,231
<b>Total expenses</b>	<b>57,151,717</b>	<b>-</b>	<b>-</b>	<b>57,151,717</b>	<b>42,386,005</b>
Changes in net assets	4,645,140	(543,513)	101,400	4,203,027	2,591,787
Net assets, beginning of year	22,873,241	4,104,347	1,080,422	28,058,010	25,466,223
<b>Net assets, end of year</b>	<b>\$ 27,518,381</b>	<b>\$ 3,560,834</b>	<b>\$ 1,181,822</b>	<b>\$ 32,261,037</b>	<b>\$ 28,058,010</b>

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2011**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Value of inventory distributed, including shrinkage and spoilage	\$ 47,795,014	\$ -	\$ -	\$ 47,795,014
Food supplements - purchased inventory utilized	2,320,070	-	-	2,320,070
Salaries, wages and related taxes	2,517,729	342,652	489,929	3,350,310
Benefits	401,372	3,857	82,000	487,229
Freight	659,498	-	-	659,498
Utilities	141,070	6,160	-	147,230
Repairs and maintenance	637,086	3,302	1,816	642,204
Dues	6,501	31,520	12,748	50,769
Special events	6,032	1,422	109,708	117,162
Fuel	265,980	-	-	265,980
Supplies	135,797	-	-	135,797
Disposal services	14,015	-	-	14,015
Direct mail	25,121	-	368,064	393,185
Equipment rental	17,216	-	-	17,216
Taxes	2,199	-	-	2,199
Exterminating	16,124	-	-	16,124
Kids Café	310,705	-	-	310,705
Snack Program	3,055	-	-	3,055
Urban Harvest	20,352	-	-	20,352
Summer Feeding/Food 4 Kids	1,068,395	-	-	1,068,395
Food 4 Seniors	91,039	-	-	91,039
TANF	3,407,378	-	-	3,407,378
Care & Share Box	73,274	-	-	73,274
Pre-employment physicals	8,175	1,217	367	9,759
Workshops	6,089	978	4,367	11,434
Insurance	84,731	4,752	-	89,483
Rent/off-site storage	43,486	322	-	43,808
Telephone	25,735	490	2,983	29,208
Computer	58,296	310	5,518	64,124
Travel	57,775	23,748	15,688	97,211
Office supplies	19,360	8,734	27,704	55,798
Postage	2,904	319	24,074	27,297
Professional services	5,649	284,064	167,113	456,826
Bad debts	6,314	-	42,721	49,035
Depreciation	829,351	63,978	8,575	901,904
Security	13,550	-	-	13,550
Bank charges	-	1,318	40,456	41,774
Other	16,111	7,360	25,595	49,066
	<u>\$ 61,112,548</u>	<u>\$ 786,503</u>	<u>\$ 1,429,426</u>	<u>\$ 63,328,477</u>

See notes to consolidated financial statements.

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2010**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Value of inventory distributed, including shrinkage and spoilage	\$ 43,901,811	\$ -	\$ -	\$ 43,901,811
Food supplements - purchased inventory utilized	4,071,722	-	-	4,071,722
Salaries, wages and related taxes	1,913,403	367,137	496,642	2,777,182
Benefits	365,127	83,165	22,939	471,231
Freight	557,940	290	-	558,230
Utilities	134,140	3,637	3,611	141,388
Repairs and maintenance	475,868	7,263	1,961	485,092
Dues	11,170	42,827	24,602	78,599
Special events	5,030	990	62,586	68,606
Fuel	190,577	-	-	190,577
Supplies	138,890	-	-	138,890
Disposal services	16,474	143	-	16,617
Direct mail	-	-	482,859	482,859
Equipment rental	4,338	-	-	4,338
Taxes	7,159	-	-	7,159
Exterminating	7,035	-	-	7,035
Kids Café	201,692	-	-	201,692
Snack Program	708	-	-	708
Urban Harvest	24,405	-	-	24,405
Summer Feeding/Food 4 Kids	1,149,499	-	-	1,149,499
Food 4 Seniors	40,224	-	-	40,224
TANF	692,614	-	-	692,614
Care & Share Box	1,034	-	-	1,034
Pre-employment physicals	2,708	656	623	3,987
Workshops	7,376	2,844	3,172	13,392
Insurance	174,394	12,449	-	186,843
Rent/off-site storage	7,983	-	-	7,983
Telephone	20,260	7,214	-	27,474
Computer	107,923	1,689	9,647	119,259
Travel	43,011	13,165	14,243	70,419
Office supplies	16,646	9,829	49,595	76,070
Postage	245	1,586	5,850	7,681
Professional services	36,502	59,200	49,374	145,076
Bad debts	-	-	115,089	115,089
Depreciation	722,554	95,149	12,028	829,731
Security	600	-	-	600
Disaster	9,014	-	-	9,014
Other	2,473	6,502	18,612	27,587
	<u>\$ 55,062,549</u>	<u>\$ 715,735</u>	<u>\$ 1,373,433</u>	<u>\$ 57,151,717</u>

See notes to consolidated financial statements.

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended June 30, 2011 and 2010**

	2011	2010
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (1,135,052)	\$ 4,203,027
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	901,904	829,731
Value of contributed inventory	(45,292,440)	(44,934,751)
Value of inventory distributed, including shrinkage and spoilage	47,795,014	43,901,811
Net unrealized/realized gain on investments	(377,061)	(259,194)
Changes in operating assets and liabilities:		
Accounts receivable	1,395,781	(1,592,402)
Unconditional promises to give, net	(82,092)	1,703,616
Inventory	1,449,954	(1,085,824)
Other assets	(37,932)	27,553
Accounts payable	(1,189,084)	1,416,386
Accrued liabilities	(66,997)	248,828
	3,361,995	4,458,781
<b>Net cash provided by operating activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchases of property, plant and equipment	(556,292)	(522,943)
Purchases of investments with restrictions	(2,547,850)	(3,236,778)
Sales of investments with restrictions	2,533,841	2,012,956
	(570,301)	(1,746,765)
<b>Net cash used in investing activities</b>		
Net increase in cash	2,791,694	2,712,016
Cash and cash equivalents, beginning of year	6,878,969	4,166,953
	\$ 9,670,663	\$ 6,878,969
<b>Cash and cash equivalents, end of year</b>		

**FOODLINK, INC., AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2011 and 2010**

**Note 1 – Nature of Operations**

FoodLink, Inc. (FoodLink) and Regional Food Bank Foundation (Foundation) are Oklahoma not-for-profit corporations, which were formed exclusively to support the activities, affairs and programs of the Regional Food Bank of Oklahoma, Inc. (RFB). RFB was established in May 1980 and its primary activities include solicitation and receipt of food items of local, regional and national food companies that are distributed to other charitable feeding programs in 53 central and western Oklahoma counties.

**Note 2 – Summary of Significant Accounting Policies**

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements include the activities and net assets of FoodLink and its commonly controlled subsidiaries, RFB and the Foundation (collectively Food Bank). The assets, liabilities and net assets of Food Bank are reported in three classes of net assets as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of RFB operations.
- Temporarily restricted net assets represent funds with donor-designated restrictions for acquisitions, capital campaign funds, maintenance of the facility and equipment or specific programs.
- Permanently restricted net assets represent funds that are subject to donor-designated restrictions requiring the principal to be invested in perpetuity and only the income be available for use.

Food Bank reports gifts of cash and other assets and unconditional promises to give as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as funds released from restrictions.

Food Bank reports gifts of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Food Bank reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed food is recognized as unrestricted support when received and as program expenses when distributed.

Contract revenues under grants for reimbursement of expenditures are recognized as unrestricted revenues in the period in which the expenditures in compliance with the specific grant restrictions are incurred.

Unconditional promises to give are recognized as contribution revenue in the period the promise to give is made by the donor, and as assets, decreases of liabilities or expense, depending on the form of the benefit received. Promises to give are recorded at the estimated net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### Inventory

Inventory consists of contributed and purchased food items. United States Department of Agriculture (USDA) contributed food items are valued at per-pound amounts established by the USDA. Other contributed food items are valued at estimated weighted average wholesale amount per pound as determined by Feeding America. Purchased food items are stated at the lower of cost (determined on the first-in, first-out method) or market.

#### Donated services

Food Bank uses, to varying degrees, the services of unpaid volunteers in conducting its warehousing and distribution activities. No amounts have been reflected in the accompanying financial statements for such donated services because they do not meet the criteria for recognition.

#### Cash and cash equivalents

Food Bank considers certificates of deposit, money market funds, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2011 and 2010, Food Bank had \$9,634,495 and \$6,639,200 in cash equivalents, respectively.

Food Bank maintains its cash and cash equivalents in accounts which may exceed federally insured amounts. Food Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### Investments

Food Bank's investments, which are held under managerial agency agreements, include equity securities, pooled equity mutual funds, federal and federal agency debt securities and money market funds, which are carried at fair value based upon quoted market prices or dealer quotes. Unrealized gains and losses are reported in the consolidated statement of activities. Donated investment instruments are initially recorded at estimated fair value at the date of the donation.

#### Property, plant and equipment

Property, plant and equipment is recorded at historical cost or estimated value at date of donation. Depreciation of these assets is provided on the straight-line basis over the estimated useful lives of the respective assets, which range from 3 to 39 years. Maintenance and repair costs are expensed as incurred, while renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the consolidated statement of activities for the period.

### Income taxes

No provision for income taxes has been made in the accompanying financial statements because Food Bank is exempt from federal taxes on income related to its exempt purpose under the provisions of Internal Revenue Code Section 501(c)(3).

The accounting for income taxes may, at times, involve some degree of uncertainty and, as such, lead to uncertain tax positions having been taken. Management evaluated the Food Bank's tax positions and concluded that the Food Bank had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, the Food Bank is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years prior to 2008.

### Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Concentration of credit risk

Financial instruments which potentially subject Food Bank to credit risk consist of accounts receivable, unconditional promises to give and investments. Credit risk for all of Food Bank's receivables is concentrated because the majority of the balances are receivable from individuals and entities located within the same geographic region.

Food Bank's investments consist of various equity and fixed income securities funds. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the investment account balances and the amounts reported in the consolidated statements of financial position and the consolidated statements of activities.

### Subsequent events

Management has evaluated subsequent events through September 27, 2011, the date the consolidated financial statements were available to be issued.

### **Note 3 – Unconditional Promises to Give**

Unconditional promises to give are as follows at June 30:

	2011	2010
Promises to give expected to be collected in:		
Less than one year	\$ 815,098	\$ 743,018
One to five years	882,640	863,501
Total unconditional promises to give	1,697,738	1,606,519
Less allowance for uncollectible pledges	(18,600)	(18,600)
Less discount to present value	(81,631)	(72,504)
Net unconditional promises to give	<u>\$ 1,597,507</u>	<u>\$ 1,515,415</u>

Promises to give receivable in more than one year are discounted at 5% for both 2011 and 2010.

#### **Note 4 – Inventory**

Inventory is comprised of the following at June 30:

	2011	2010
USDA contributed food	\$ 533,661	\$ 533,693
Purchased food	544,081	1,994,802
Other contributed food	2,809,753	5,311,528
	<u>\$ 3,887,495</u>	<u>\$ 7,840,023</u>

#### **Note 5 – Property, Plant, and Equipment**

Property, plant, and equipment is comprised of the following at June 30:

	2011	2010
Building	\$ 11,837,938	\$ 11,803,623
Furniture and fixtures	703,355	662,326
Transportation equipment	1,914,661	1,884,402
Warehouse equipment and improvements	1,727,523	1,589,021
Agency equipment	1,007,044	781,035
Computer software	440,236	417,666
	<u>17,630,757</u>	<u>17,138,073</u>
Less: accumulated depreciation	6,526,593	5,688,297
	<u>11,104,164</u>	<u>11,449,776</u>
Land	258,239	258,239
	<u>\$ 11,362,403</u>	<u>\$ 11,708,015</u>

#### **Note 6 – Handling Fees**

Member agencies were charged up to \$0.12 per pound of food distributed for the years ended June 30, 2011 and 2010, as their share of Food Bank's operating expenses. Purchased products carried a handling fee of up to \$0.18 per pound in both 2011 and 2010 with the exception of the TANF product, which did not carry a handling fee. Total agency handling fees were approximately \$557,000 and \$354,000 for years ended June 30, 2011 and 2010, respectively.

#### **Note 7 – Defined Contribution Retirement Plan**

Food Bank has a defined contribution retirement plan covering all employees who have been employed by Food Bank for one or more years. Food Bank may make contributions to the plan, with the amounts of such annual contributions determined at the discretion of the Board of Directors. Contributions for the years ended June 30, 2011 and 2010, were approximately \$53,000 and \$46,000, respectively.

Food Bank participates in a 457(b) defined contribution and retirement plan for the Executive Director. Contributions to this plan are at the discretion of the Board of Directors. There were no contributions for the year ended June 30, 2011. The amount recorded for the year ended June 30, 2010, was \$18,000.

Food Bank participates in a 457(f) retirement plan for the Executive Director. Contributions to this plan are contractually mandated to an established limit, and excess contributions are awarded at the discretion of the Board of Directors. Amounts recorded for the years ended June 30, 2011 and 2010, were \$17,000 and \$27,000, respectively.

## **Note 8 – Endowment Funds**

The Board of Directors (the Board) interprets Oklahoma law as requiring the preservation of the fair value of the original donor-restricted endowment funds as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, Food Bank classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Food Bank in a manner consistent with the standard of prudence prescribed by Oklahoma law and in accordance with original donor stipulations, if any.

Food Bank has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that Food Bank must hold either in perpetuity or for a donor-specified period of time. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed 3% plus the rate of inflation (Consumer Price Index, net of food and oil) achieved within a three year time frame while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Food Bank targets a diversified asset allocation that places a greater emphasis on equity-based investments (a maximum position of 70% and a minimum position of 50%) to achieve its long-term return objectives within prudent risk constraints. Capital appreciation and current yield are available at the discretion of the Board to be used in accordance with the donor restrictions. However, if at any time the value of the funds fall below the fully funded corpus amount, the Board may not designate any capital gains on investments as earnings.

Food Bank maintains the Donald W. Reynolds Endowment Fund in the amount of \$1,080,422. This endowment fund is a permanent, donor-restricted fund created to provide earnings for the ongoing maintenance of Food Bank's distribution facility, the Donald W. Reynolds Distribution Center.

Food Bank maintains the Childhood Hunger Endowment Fund in the amount of \$152,400. This endowment fund is a permanent, donor-restricted fund created to provide earnings for Food Bank's Childhood Hunger program.

Changes in Food Bank's donor-restricted endowment fund net assets for the year ended June 30, 2011, consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets, beginning of year	\$ 82,351	\$ 1,181,822	\$ 1,264,173
Additions:	-	51,000	51,000
Adjusted endowment fund net assets investment return:			
Investment income	19,685	-	19,685
Net appreciation	215,190	-	215,190
Total investment return	234,875	-	234,875
Endowment fund net assets, end of year	<u>\$ 317,226</u>	<u>\$ 1,232,822</u>	<u>\$ 1,550,048</u>

Changes in Food Bank's donor-restricted endowment fund net assets for the year ended June 30, 2010, consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment fund net assets, beginning of year	\$ (42,910)	\$ -	\$ 1,080,422	\$ 1,037,512
Additions:	-	-	101,400	101,400
Adjusted endowment fund net assets investment return:				
Investment income	-	19,380	-	19,380
Net appreciation	42,910	62,971	-	105,881
Total investment return	42,910	82,351	-	125,261
Endowment fund net assets, end of year	<u>\$ -</u>	<u>\$ 82,351</u>	<u>\$ 1,181,822</u>	<u>\$ 1,264,173</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or state law requires Food Bank to retain as a fund of perpetual duration. There were no such deficiencies for the years ended June 30, 2010 and 2011.

#### **Note 9 – Endowed Funds Held by Community Foundations**

Food Bank participates in endowment funds through the Oklahoma City Community Foundation (OCCF) and The Communities Foundation of Oklahoma (TCFO). OCCF and TCFO are not-for-profit entities that provide for endowed contributions to be pooled to maximize return on investments for the benefit of area not-for-profit organizations. Contributions to the endowment funds are permitted by not-for-profit entities, as well as individual donors in the community who designate the beneficiary of their contributions. Food Bank did not contribute any funds to OCCF or TCFO during 2011 or 2010. Earnings on these endowed funds are paid annually to the beneficiary organization for unrestricted use.

Endowed funds contributed by Food Bank and the reinvested earnings thereon, net of distributions received, are reflected in the consolidated statements of financial position as beneficial interests in assets held by community foundations. The market values of endowed funds contributed by third-party donors that are held by OCCF designated for the benefit of Food Bank were \$167,144 and \$143,790 at June 30, 2011 and 2010, respectively. The market values of endowed funds contributed by third-party donors that were held by TCFO designated for the benefit of Food Bank were \$1,657 and \$23,900 at June 30, 2011 and 2010, respectively. These foundations have variance power over contributions they have received from third parties on behalf of Food Bank, and such endowed funds are not reflected in Food Bank's consolidated statements of financial position.

#### **Note 10 – Commitments**

Food Bank has a contract with the Oklahoma Department of Human Services (ODHS) under which it receives and distributes USDA contributed food and receives reimbursement of related storage and distribution costs. The current contract period runs from October 1, 2010, through September 30, 2011. The funds available under this contract are restricted to purposes and activities approved by ODHS during the contract period. Food Bank recognized revenue and support of approximately \$5,056,000 for contributed food and \$552,000 for reimbursement of costs for the year ended June 30, 2011, under this contract.

#### **Note 11 – Fair Value Measurements**

The Financial Accounting Standards Board Accounting Standards Codification established a consistent framework for measuring fair value and fair value hierarchy based on the observability of inputs used to measure fair value.

These inputs are summarized in the three broad levels listed below:

- Level 1      Quoted prices in active markets for identical assets or liabilities.
- Level 2      Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3      Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table sets forth by level, within the fair value hierarchy, Food Bank's assets at fair value as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Cash, money market funds, and certificates of deposit	\$ 708,872	\$ -	\$ -	\$ 708,872
Equity securities:				
U.S. stocks	445,756	-	-	445,756
Foreign stocks	193,568	-	-	193,568
Pooled mutual funds:				
Small cap funds	119,836	-	-	119,836
Mid cap funds	162,368	-	-	162,368
Large cap funds	632,544	-	-	632,544
International funds	167,793	-	-	167,793
Short-term bond funds	310,654	-	-	310,654
Intermediate-term bond funds	529,871	-	-	529,871
International bond funds	89,680	-	-	89,680
Federal and agency debt securities	-	373,423	-	373,423
Exchange traded notes	87,701	-	-	87,701
<b>Total investments</b>	<b>3,448,643</b>	<b>373,423</b>	<b>-</b>	<b>3,822,066</b>
Beneficial interest in assets held at OCCF and TCFO	-	570,329	-	570,329
<b>Total assets at fair value</b>	<b>\$ 3,448,643</b>	<b>\$ 943,752</b>	<b>\$ -</b>	<b>\$ 4,392,395</b>

The following table sets forth by level, within the fair value hierarchy, Food Bank's assets at fair value as of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Cash and equivalents	\$ 877,752	\$ -	\$ -	\$ 877,752
Equity mutual funds	1,317,039	-	-	1,317,039
Exchange traded notes	73,009	-	-	73,009
Fixed income securities	-	1,233,504	-	1,233,504
<b>Total investments</b>	<b>2,267,800</b>	<b>1,233,504</b>	<b>-</b>	<b>3,501,304</b>
Beneficial interest in assets held at OCCF and TCFO	-	500,021	-	500,021
<b>Total assets at fair value</b>	<b>\$ 2,267,800</b>	<b>\$ 1,733,525</b>	<b>\$ -</b>	<b>\$ 4,001,325</b>

#### Market volatility

Food Bank invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect Food Bank's investments and the amounts reported in the consolidated statements of financial position.

## Note 12 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2011	2010
Kids Café	\$ 2,237	\$ 50,293
Childhood Hunger	-	50,000
Hopes Harvest	1,039,692	490,087
Capital Campaign	235,309	569,077
Food 4 Kids	902,474	593,750
Restricted Fund for Programs	1,134,552	1,098,692
Operational grants	25,232	708,935
	<u>\$ 3,339,496</u>	<u>\$ 3,560,834</u>

Food Bank maintains a second Donald W. Reynolds Foundation grant designated as the Restricted Fund for Programs in the amount of \$1,080,422. This fund is donor-restricted fund created to provide earnings for the ongoing operations of the programs offered by Food Bank. It is the intent of the Donald W. Reynolds Foundation that the life of the Restricted Fund for Programs would be a minimum of 20 years with earnings, dividends, capital gains and 5% of the corpus being available each year to fund programs.

**SUPPLEMENTAL INFORMATION**

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2011**

Pass-through Grantor/Federal Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>Major Programs</b>			
Pass-through Oklahoma Dept. of Human Services:			
U.S. Dept. of Agriculture (USDA) Donated Foods Program Commodities (Note 1)	10.568	55210	\$ 5,056,032
Reimbursement of storage and distribution cost			<u>1,394,023</u>
			<u>6,450,055</u>
Pass-through Oklahoma Dept. of Human Services:			
U.S. Dept. of Health and Human Services (USDHHS) Emergency Box Program (Note 2)	93.714	10028240	1,900,148
Reimbursement of storage and distribution cost			<u>520,686</u>
			<u>2,420,834</u>
Total major programs			<u>8,870,889</u>
<b>Non-Major Programs</b>			
Pass-through Oklahoma Dept. of Education:			
U.S. Dept. of Agriculture Summer Food Service Program	10.559	55-X514	217,616
Pass-through Oklahoma Dept. of Education:			
U.S. Dept. of Agriculture Child and Adult Care Food Program	10.558	DC55-811	<u>27,264</u>
Total non-major programs			<u>244,880</u>
Total federal expenditures			<u><u>\$ 9,115,769</u></u>

Note 1 – Nonmonetary assistance is reported in this schedule based on amount received. As of June 30, 2011, Food Bank had USDA commodities inventory of \$533,661.

Note 2 – In conjunction with the American Recovery and Reinvestment Act of 2009, Food Bank received a grant of \$4,709,457 through USDHHS. Of this amount, \$4,005,180 was designated for food and household purchases and \$704,277 for distribution expenses and salary costs. All but \$54,482 was utilized when the requirements of the grant were fulfilled by Food Bank with the final distribution of food and household purchases on September 18, 2010.

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2011**

Contract title:       USDA Donated Foods Program  
Contract agency:     Oklahoma Department of Human Services  
Contract number:    55210  
Contract dates:     10/1/10 - 9/30/11  
Type of program:    Major

	Program Budget	Year Ended June 30, 2011	Prior Years	Cumulative To Date
Reimbursement of storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 1,072,788	\$ 1,072,788	\$ -	\$ 1,072,788
Expenses:				
Storage and distribution	1,072,788	1,072,788	-	1,072,788
Revenue over expenses	\$ -	\$ -	\$ -	\$ -
Commodities:				
Inventory at beginning of period	N/A	\$ -	N/A	N/A
Value of commodities received	N/A	3,816,847	N/A	N/A
Value of commodities distributed	N/A	(3,283,186)	N/A	N/A
Inventory at end of period	N/A	\$ 533,661	N/A	N/A

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2011**

Contract title:       USDA Donated Foods Program  
Contract agency:     Oklahoma Department of Human Services  
Contract number:    55210  
Contract dates:     10/1/09 - 9/30/10  
Type of program:    Major

	Program Budget	Year Ended June 30, 2011	Prior Years	Cumulative To Date
Reimbursement of storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 1,396,202	\$ 321,235	\$ 1,074,967	\$ 1,396,202
Expenses:				
Storage and distribution	1,396,202	321,235	1,074,967	1,396,202
Revenue over expenses	\$ -	\$ -	\$ -	\$ -
Commodities:				
Inventory at beginning of period	N/A	\$ 533,693	N/A	N/A
Value of commodities received	N/A	1,214,112	N/A	N/A
Value of commodities distributed	N/A	(1,747,805)	N/A	N/A
Inventory at end of period	N/A	\$ -	N/A	N/A

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF FEDERAL AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2011**

Contract title: TANF Emergency Box Program  
 Contract agency: Oklahoma Department of Human Services  
 PA number: 10028240  
 Contract dates: 2/15/10 - 9/30/10  
 Type of program: Major

	Program Budget	Year Ended June 30, 2011	Prior Years	Cumulative To Date
Reimbursement of emergency box items, storage and distribution costs:				
Revenues:				
Contract proceeds	\$ 4,709,457	\$ 2,420,834	\$ 2,234,141	\$ 4,654,975
Expenses:				
Emergency box items, storage and distribution	4,709,457	2,420,834	2,234,141	4,654,975
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF STATE AWARDS**

**Year ended June 30, 2011**

State Agency/Program Title	State Expenditures
Oklahoma Department of Human Services Kids Café	<u>\$ 170,000</u>

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF STATE AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2011**

Contract title: Kids Café  
 Contract agency: Oklahoma Department of Human Services  
 Bid Number: M053435  
 Agency Req. Number: 02023084000  
 Contract Dates: 7/1/10 - 6/30/11

	Program Budget	Year Ended June 30, 2011	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 170,000	\$ 170,000	\$ -	\$ 170,000
Expenses:				
Food and distribution	170,000	170,000	-	170,000
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF STATE AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2010**

Contract title: Kids Café  
 Contract agency: Oklahoma Department of Human Services  
 Bid Number: M053435  
 Agency Req. Number: 02023084000  
 Contract Dates: 7/1/09 - 6/30/10

	Program Budget	Year Ended June 30, 2010	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 170,000	\$ 170,000	\$ -	\$ 170,000
Expenses:				
Food and distribution	170,000	170,000	-	170,000
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF STATE AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2011**

Contract title: Child and Adult Care Food Program  
 Contract agency: Oklahoma State Department of Education  
 Agreement Number: DC-55-811  
 Contract Dates: 3/1/11 to 9/30/11

	Program Budget	Year Ended June 30, 2011	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 27,264	\$ 27,264	\$ -	\$ 27,264
Expenses:				
Food and distribution	27,264	27,264	-	27,264
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF STATE AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2010**

Contract title: Child and Adult Care Food Program  
 Contract agency: Oklahoma State Department of Education  
 Agreement Number: DC-55-811  
 Contract Dates: 3/1/10 - 9/30/10

	Program Budget	Year Ended June 30, 2010	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 693	\$ 693	\$ -	\$ 693
Expenses:				
Food and distribution	693	693	-	693
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF STATE AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2011**

Contract title: Summer Food Service Program  
 Contract agency: Oklahoma State Department of Education  
 County District Number: 55-X514  
 Contract Dates: 6/1/11 - 7/29/11

	Program Budget	Year Ended June 30, 2011	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 217,616	\$ 120,716	\$ -	\$ 120,716
Expenses:				
Food and distribution	217,616	120,716	-	120,716
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF STATE AWARDS CONTRACT REVENUES AND EXPENSES**  
**- BUDGET TO ACTUAL CONTRACT PERIOD TO DATE**

**Year ended June 30, 2010**

Contract title: Summer Food Service Program  
 Contract agency: Oklahoma State Department of Education  
 County District Number: 55-X514  
 Contract Dates: 6/1/10 - 8/13/10

	Program Budget	Year Ended June 30, 2010	Prior Years	Cumulative To Date
Revenues:				
Contract proceeds	\$ 167,207	\$ 96,900	\$ 70,307	\$ 167,207
Expenses:				
Food and distribution	167,207	96,900	70,307	167,207
Revenue over expenses	\$ -	\$ -	\$ -	\$ -

## **OTHER REPORTS**

**INDEPENDENT AUDITORS' 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  
FoodLink, Inc. and Subsidiaries  
(d/b/a Regional Food Bank of Oklahoma)

We have audited the consolidated financial statements of FoodLink, Inc. and Subsidiaries (d/b/a Regional Food Bank of Oklahoma, collectively referred to as Food Bank) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 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 Food Bank's 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 Food Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Food Bank'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.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not note 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 Food Bank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the 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 solely for the information and use of the Board of Directors, management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Hogan Taylor LLP*

September 27, 2011

**INDEPENDENT AUDITORS' 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  
FoodLink, Inc. and Subsidiaries  
(d/b/a Regional Food Bank of Oklahoma)

Compliance

We have audited the compliance of the FoodLink, Inc. and subsidiaries (d/b/a Regional Food Bank of Oklahoma, collectively referred to as Food Bank) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Food Bank's 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 Food Bank's management. Our responsibility is to express an opinion on Food Bank's 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 Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Food Bank's compliance with those requirements.

In our opinion, Food Bank complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal control over compliance

Management of Food Bank 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 Food Bank's internal control over compliance with requirements that could have a direct and material effect on its major federal programs 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 Food Bank's internal control over compliance.

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

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 solely for the information and use of the Board of Directors, management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Hogan Taylor LLP*

September 27, 2011

**FOODLINK, INC. AND SUBSIDIARIES  
(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year ended June 30, 2011**

**Section I – Summary of Auditors' Results**

Financial statements

Type of auditors' report issued:	Unqualified		
	Yes	No	None Reported
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?			X
• Noncompliance material to financial statements noted?		X	

Federal awards

	Yes	No	None Reported
Internal control over major programs:			
• Material weakness(es) identified?		X	
• Significant deficiency(ies) identified that are not considered to be material weaknesses?			X
Type of auditors' report issued on compliance for major programs:	Unqualified		
	Yes	No	None Reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		X	

Identification of major programs:

Name of Federal Program or Cluster

CFDA Number 10.568

CFDA Number 93.714

Dollar threshold used to distinguish between  
type A and type B programs:

\$300,000

Yes

No

None Reported

Auditee qualified as low-risk auditee?

X

**Section II – Financial Statement Findings**

None

**Section III – Findings and Questioned Costs for Federal Awards**

None

**FOODLINK, INC. AND SUBSIDIARIES**  
**(d/b/a REGIONAL FOOD BANK OF OKLAHOMA)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year ended June 30, 2011**

2010-1:

Generally accepted accounting principles require that all unconditional promises to give be accounted for and reported in the year the promise is made.

In connection with our audit, we determined that an unconditional promise to give of \$1,080,422 made in fiscal 2009 was not recorded in the June 30, 2009, financial statements, requiring a restatement of those financial statements in connection with the June 30, 2010, audit. Our 2010 audit procedures determined that this transaction was recorded when the funds were received in fiscal 2010 rather than when management finalized the terms of the gift with the donor in June 2009.

We recommend that Food Bank evaluate its current procedures and internal controls related to receiving and accounting for contributions to ensure they are properly recorded in accordance with generally accepted accounting principles.

Management's Response

Management engaged an outside CPA firm to examine current procedures, internal controls and to make recommendations to ensure all contributions will be recorded appropriately.

**Section III – Findings and Questioned Costs for Federal Awards**

None