

SAN ANTONIO FOOD BANK, INC.

**SINGLE AUDIT
FINANCIAL STATEMENTS AND
REQUIRED REPORTING**

JUNE 30, 2006



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SAN ANTONIO FOOD BANK, INC.
June 30, 2006 and 2005

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Independent Auditors' Report

October 27, 2006

To the Board of Directors
SAN ANTONIO FOOD BANK, INC.
San Antonio, Texas

We have audited the accompanying financial statements of **SAN ANTONIO FOOD BANK, INC. (FOOD BANK)** as set forth in the table of contents as of **June 30, 2006** and 2005 and for the years then ended. These financial statements are the responsibility of the **FOOD BANK'S** management and Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we plan 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 the **FOOD BANK'S** internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **FOOD BANK** as of **June 30, 2006** and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006 on our consideration of the **FOOD BANK'S** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

San Antonio Food Bank, Inc.
October 27, 2006

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the **FOOD BANK** taken as a whole. The accompanying schedule of expenditures of federal awards as of **June 30, 2006** is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Tsakopoulos Brown Schott & Anchors

TSAKOPULOS BROWN SCHOTT & ANCHORS

Statements of Financial Position

SAN ANTONIO FOOD BANK, INC.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
ASSETS		
ASSETS		
Cash		
Unrestricted cash	\$ 1,625,338	\$ 1,390,116
Restricted cash	<u>4,189,138</u>	<u>3,282,040</u>
	5,814,476	4,672,156
Promises to give	1,175,000	2,344,000
Accounts receivable - trade	674,742	478,455
Food inventory	2,124,705	2,787,642
Investments	994,927	976,140
Property and equipment	<u>4,364,840</u>	<u>1,572,203</u>
TOTAL ASSETS	<u>\$ 15,148,690</u>	<u>\$ 12,830,596</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 125,618	\$ 52,245
Accrued expenses	<u>94,379</u>	<u>69,825</u>
TOTAL LIABILITIES	219,997	122,070
NET ASSETS		
Unrestricted	9,564,555	7,091,486
Temporarily restricted - board designated	372,000	372,000
Temporarily restricted - capital campaign	<u>4,992,138</u>	<u>5,245,040</u>
TOTAL NET ASSETS	<u>14,928,693</u>	<u>12,708,526</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,148,690</u>	<u>\$ 12,830,596</u>

The Accompanying Notes Are an Integral Part of These Financial Statements

Statements of Activities

SAN ANTONIO FOOD BANK, INC.

	For the Years Ended	
	June 30, 2006	June 30, 2005
UNRESTRICTED NET ASSETS		
Revenues		
Donated food	\$ 48,875,618	\$ 39,165,933
Contributions	1,699,527	642,519
Governmental funding authorities	1,556,026	1,859,586
Shared maintenance	1,236,789	915,161
Net assets released from restrictions	1,110,440	-
Hurricane disaster relief	1,066,085	-
Special events	413,533	293,662
United Way, less fund raising expenses	176,750	129,835
Investment income	45,357	64,795
Other	78,197	44,616
Total Unrestricted Revenues	<u>56,258,322</u>	<u>43,116,107</u>
Expenses		
Program	52,644,178	41,389,436
Fund raising	628,113	371,690
Management and general	512,962	473,262
Total Expenses	<u>53,785,253</u>	<u>42,234,388</u>
Income from Operations and Increase in Unrestricted Net Assets	<u>2,473,069</u>	<u>881,719</u>
TEMPORARILY RESTRICTED NET ASSETS - CAPITAL CAMPAIGN		
Capital campaign donations and investment earnings	857,538	3,708,085
Less net assets released from restrictions	<u>(1,110,440)</u>	<u>-</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(252,902)</u>	<u>3,708,085</u>
CHANGE IN NET ASSETS	<u>\$ 2,220,167</u>	<u>\$ 4,589,804</u>

Statements of Changes in Net Assets

SAN ANTONIO FOOD BANK, INC.

	Unrestricted Net Assets	Temporarily Restricted Net Assets		Total Net Assets
		Board Designated	Capital Campaign	
Balance at June 30, 2004	\$ 6,673,767	\$ 372,000	\$ 1,072,955	\$ 8,118,722
Change in net assets	881,719	-	3,708,085	4,589,804
Board designated transfer	<u>(464,000)</u>	<u>-</u>	<u>464,000</u>	<u>-</u>
Balance at June 30, 2005	7,091,486	372,000	5,245,040	12,708,526
Change in net assets	<u>2,473,069</u>	<u>-</u>	<u>(252,902)</u>	<u>2,220,167</u>
Balance at June 30, 2006	<u>\$ 9,564,555</u>	<u>\$ 372,000</u>	<u>\$ 4,992,138</u>	<u>\$ 14,928,693</u>

Statement of Functional Expenses

SAN ANTONIO FOOD BANK, INC.
for the year ended June 30, 2006

	Program	Management and General	Fund Raising	Total
FOOD EXPENSE				
Distributed food	\$ 49,538,555	\$ -	\$ -	\$ 49,538,555
EMPLOYEE EXPENSES				
Salaries and wages	1,041,799	271,209	214,622	1,527,630
Health insurance and other benefits	154,021	53,167	35,146	242,334
Payroll taxes and workers' compensation	99,247	23,651	20,938	143,836
Total Employee Expenses	1,295,067	348,027	270,706	1,913,800
OTHER EXPENSES				
Supplies and food items	1,033,483	198	75,134	1,108,815
Rental and maintenance of equipment	217,753	1,428	429	219,610
Printing and publications	-	9,252	155,253	164,505
Occupancy and product storage	96,100	10,028	10,068	116,196
Other expenses	61,090	22,341	21,075	104,506
Insurance	75,656	16,685	-	92,341
Travel and transportation	59,070	14,152	17,236	90,458
Professional fees	59,962	22,538	6,704	89,204
Postage and shipping	3,838	7,984	47,215	59,037
Telephone	29,536	3,094	3,954	36,584
Affiliation dues	23,070	9,405	1,405	33,880
Membership dues	-	5,886	2,154	8,040
Total Other Expenses	1,659,558	122,991	340,627	2,123,176
Total Expenses Before Depreciation	52,493,180	471,018	611,333	53,575,531
Depreciation expense	150,998	41,944	16,780	209,722
TOTAL EXPENSES	\$ 52,644,178	\$ 512,962	\$ 628,113	\$ 53,785,253

Statement of Functional Expenses

SAN ANTONIO FOOD BANK, INC.
for the year ended June 30, 2005

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
FOOD EXPENSE				
Distributed food	\$ 39,080,142	\$ -	\$ -	\$ 39,080,142
EMPLOYEE EXPENSES				
Salaries and wages	800,579	230,242	131,362	1,162,183
Health insurance and other benefits	149,505	53,010	24,784	227,299
Payroll taxes and workers' compensation	98,314	29,931	1,445	129,690
Total Employee Expenses	1,048,398	313,183	157,591	1,519,172
OTHER EXPENSES				
Supplies and food items	689,425	5,543	-	694,968
Rental and maintenance of equipment	179,133	1,640	-	180,773
Printing and publications	24,965	4,209	118,425	147,599
Occupancy and product storage	74,183	9,773	7,132	91,088
Insurance	56,051	19,125	-	75,176
Travel and transportation	39,932	11,086	9,280	60,298
Other expenses	21,443	16,811	18,636	56,890
Professional fees	17,850	15,454	13,986	47,290
Postage and shipping	4,159	7,052	33,811	45,022
Telephone	33,581	5,959	-	39,540
Affiliation dues	3,404	29,909	-	33,313
Membership dues	1,308	1,445	-	2,753
Total Other Expenses	1,145,434	128,006	201,270	1,474,710
Total Expenses Before Depreciation	41,273,974	441,189	358,861	42,074,024
Depreciation expense	115,462	32,073	12,829	160,364
TOTAL EXPENSES	\$ 41,389,436	\$ 473,262	\$ 371,690	\$ 42,234,388

Statements of Cash Flows

SAN ANTONIO FOOD BANK, INC.

INCREASE (DECREASE) IN CASH

	For the Years Ended	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows		
Contributions, support and shared maintenance	\$ 7,844,231	\$ 5,986,742
Investment income	241,545	37,706
	<u>8,085,776</u>	<u>6,024,448</u>
Outflows		
Payments to employees and suppliers	<u>4,093,142</u>	<u>2,986,268</u>
Net Cash Provided by Operating Activities	3,992,634	3,038,180
 CASH FLOWS FROM INVESTING ACTIVITIES		
Outflows		
Purchase property and equipment	<u>2,850,314</u>	<u>154,845</u>
Net Cash (Used) by Investing Activities	(2,850,314)	(154,845)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Outflows		
Reduction in note payable	<u>-</u>	<u>36,676</u>
Net Cash (Used) by Financing Activities	<u>-</u>	<u>(36,676)</u>
 INCREASE IN CASH	1,142,320	2,846,659
 CASH, beginning of year	<u>4,672,156</u>	<u>1,825,497</u>
 CASH, end of year	<u>\$ 5,814,476</u>	<u>\$ 4,672,156</u>
 Noncash Investing and Financing Activities:		
Fair value of donated property and equipment	<u>\$ 75,000</u>	<u>\$ -</u>

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2006 and 2005

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission

SAN ANTONIO FOOD BANK, INC. (FOOD BANK) is a clearing house which acquires and redistributes food to qualified agencies in San Antonio and surrounding counties. The **FOOD BANK'S** principle source of public support and revenue for operations is from contributions, various governmental funding authorities, shared maintenance, and United Way. The **FOOD BANK** is constructing a new office/warehouse facility which will be occupied in early 2007. The facility is being funded principally through a capital campaign designed to raise financial support for its construction. Other financial assistance will be provided through the sale of the existing facility.

The **FOOD BANK** was incorporated in Texas on March 24, 1980 pursuant to the Texas Non-Profit Corporation Act and is exempt from Federal Income Tax pursuant to Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for charitable contribution deductions for individual donors.

The **FOOD BANK** distributes a certain portion of its food to qualified agencies in San Antonio and surrounding counties for \$0.15 per pound (referred to as shared maintenance in the accompanying statement of activities). To reduce credit risk, the **FOOD BANK** performs ongoing credit evaluations of the agencies' financial condition but does not require collateral.

Use of Estimates in Preparing Financial Statements

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates used.

Investments

Pursuant to Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, investments are presented at quoted market value. Investments consist of corporate bonds and equity securities.

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2006 and 2005

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Food

Donated food, distributed food and food inventory are valued at the weighted average wholesale value per pound (\$1.50 and \$1.49 for the years ended **June 30, 2006** and 2005, respectively) as determined in a survey conducted by America's Second Harvest.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the **FOOD BANK** reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The **FOOD BANK** reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Unconditional Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, if any, are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Recognition of Donor Restrictions

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 received. 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.

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2006 and 2005

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the **FOOD BANK**. Volunteers donate significant amounts of their time in the **FOOD BANK'S** program services and its fund-raising campaigns that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications based on estimates made by the **FOOD BANK'S** management.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Antonio Food Bank, Inc. 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 Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2006 and 2005

NOTE 2. CONCENTRATION OF RISK

Financial instruments which potentially subject the **FOOD BANK** to a concentration of credit risk principally consist of cash, investments and trade account receivables.

Cash is summarized as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
On deposit with financial institutions	\$ 1,081,339	\$ 870,507
On deposit with brokerage institution		
Money market fund	4,733,137	2,515,536
Certificates of deposit	-	1,286,113
	<u>\$ 5,814,476</u>	<u>\$ 4,672,156</u>

The **FOOD BANK** maintains its cash on deposit with various financial institutions. During any given month, the **FOOD BANK'S** amount on deposit with any financial institution may exceed the insuring U.S. Governmental agency's \$100,000 limit.

The **FOOD BANK** also has cash on deposit with a brokerage institution. Such amounts are subject to protection provided by the Securities Investor Protection Corporation (SIPC).

The **FOOD BANK'S** investments are not insured by any governmental agency.

Corporate and individual contributions are dependent upon various factors, such as grant writing and public support. United Way revenues are subject to compliance with applicable guidelines promulgated by the United Way and other factors not within the control of the **FOOD BANK**. Government revenues are based on amounts authorized by Congress and applicable sponsoring agencies. The **FOOD BANK** is also subject to compliance with various government and programmatic guidelines. Donated food revenues are subject to various factors not within the control of the **FOOD BANK**. Special events revenue is dependent primarily on the generosity of certain corporate entities.

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2006 and 2005

NOTE 3. PROMISES TO GIVE - CAPITAL CAMPAIGN

Promises to give are expected to be collected as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
In one year or less	\$ 522,000	\$ 1,084,000
Between one and five years	<u>653,000</u>	<u>1,260,000</u>
	<u>\$ 1,175,000</u>	<u>\$ 2,344,000</u>

NOTE 4. INVESTMENTS

Investments with the Combined Charities Investment Group are summarized as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Cost	\$ 1,055,332	\$ 965,629
Cumulative adjustment to fair value	<u>(60,405)</u>	<u>10,511</u>
Fair Value	<u>\$ 994,927</u>	<u>\$ 976,140</u>

A summary of cost and fair value follows:

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 707,594	\$ 684,623	\$ 633,354	\$ 663,302
Bonds	<u>347,738</u>	<u>310,304</u>	<u>332,275</u>	<u>312,838</u>
	<u>\$ 1,055,332</u>	<u>\$ 994,927</u>	<u>\$ 965,629</u>	<u>\$ 976,140</u>

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2006 and 2005

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Building and improvements	\$ 1,252,500	\$ 1,252,500
Vehicles	1,101,646	768,864
Equipment	765,594	611,420
Furniture	117,181	117,181
	<u>3,236,921</u>	<u>2,749,965</u>
Less accumulated depreciation	<u>(1,546,307)</u>	<u>(1,336,585)</u>
	1,690,614	1,413,380
Land used in operations	<u>99,500</u>	<u>99,500</u>
	1,790,114	1,512,880
Construction in progress	<u>2,574,726</u>	<u>59,323</u>
	<u>\$ 4,364,840</u>	<u>\$ 1,572,203</u>

NOTE 6. ACCRUED EXPENSES

Accrued expenses are summarized as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Accrued payroll	\$ 67,414	\$ 46,392
Vested annual leave	<u>26,965</u>	<u>23,433</u>
	<u>\$ 94,379</u>	<u>\$ 69,825</u>

NOTE 7. RETIREMENT PLAN

The FOOD BANK has a qualified retirement plan for the benefit of eligible employees. The FOOD BANK'S contributions to the plan were \$52,542 and \$46,509 for the years ended June 30, 2006 and 2005, respectively.

Notes to the Financial Statements

SAN ANTONIO FOOD BANK, INC.
June 30, 2006 and 2005

NOTE 8. CASH FLOWS

A reconciliation of the change in net assets to net cash provided by operating activities follows:

	For the Years Ended	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Change in net assets	\$ 2,220,167	\$ 4,589,804
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	209,722	160,364
Market value appreciation	(18,784)	(45,672)
Fair value of donated property and equipment	(75,000)	-
Change in operating assets and liabilities		
Promises to give	1,169,000	(1,464,000)
Accounts receivable - trade	(196,287)	(167,595)
Food inventory	662,937	(85,791)
Accounts payable and accrued expenses	20,879	51,070
Net Cash Provided by Operating Activities	<u>\$ 3,992,634</u>	<u>\$ 3,038,180</u>

NOTE 9. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets for the capital campaign at **June 30, 2006** and 2005 are for the acquisition of property and equipment.

Additional Information

Schedule of Expenditures of Federal Awards

SAN ANTONIO FOOD BANK, INC.
for the year ended June 30, 2006

Federal Grantor/ Pass-Through Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Period	Grant Award	Balance at June 30, 2005	Receipts	Disbursements	Balance at June 30, 2006
The Emergency Food Assistance - Cluster								
<u>U.S. Department of Agriculture</u>								
Passed Through the Texas Health and Human Services Commission:								
Texas Food Stamp Education Campaign	10.551	221709K	10/01/05 - 09/30/06	\$ 136,425	\$ -	\$ 115,586	\$ 34,945	\$ 80,641
Summer Food Service Program	10.559	221709K	6/6/05 - 8/12/05	-	148,617	346,567	310,805	184,379
Emergency Food Assistance Program (Food Commodities) - (TEXCAP)	10.569	221709K	10/1/05 - 9/30/06	-	598,887	8,182,638	8,459,658	321,867
Emergency Food Assistance Program (Administrative Costs) - (TEXCAP)	10.568	221709K	10/1/05 - 9/30/06	372,317	85,546	441,013	479,893	46,666
Nutrition Education Services	10.559	221709K	10/1/04 - 9/30/05	-	79,112	32,622	111,734	-
Total U.S. Department of Agriculture				508,742	912,162	9,118,426	9,397,035	633,553
<u>Federal Emergency Management Agency</u>								
Emergency Food and Shelter National Board Program (FEMA)	97024	-	10/1/04 - 9/30/05	105,000	-	107,022	107,022	-
Total Federal Emergency Management Agency				105,000	-	107,022	107,022	-
<u>U.S. Department of Health and Human Services</u>								
Office of Community Services - Discretionary Grant	93.571	-	9/01/04 - 8/31/05	-	19,110	30,098	49,208	-
Total U.S. Department of Health and Human Services				-	19,110	30,098	49,208	-
<u>U.S. Department of Housing</u>								
Emergency Shelter	14.231	-	10/1/04 - 9/30/05	35,000	6,429	30,098	36,527	-
Total U.S. Department of Housing				35,000	6,429	30,098	36,527	-
TOTAL FEDERAL AWARDS				\$ 648,742	\$ 937,701	\$ 9,285,644	\$ 9,589,792	\$ 633,553

¹ This program represents food, which was received/distributed/on hand under the TEXCAP programs with values determined by a report dated August 10, 2006 from KPMG, LLP issued to America's Second Harvest.

***Compliance with Requirements
Applicable To Each Major Program***



**Independent Auditors' Report on Compliance and on
Internal Control over Financial Reporting Based
on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

October 27, 2006

To the Board of Directors
SAN ANTONIO FOOD BANK, INC.
San Antonio, Texas

We have audited the financial statements of **SAN ANTONIO FOOD BANK, INC. (FOOD BANK)** as of **June 30, 2006** and 2005 and for the years then ended, and have issued our report thereon dated October 27, 2006. We conducted our 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.

Compliance

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

Internal Control Over Financial Reporting

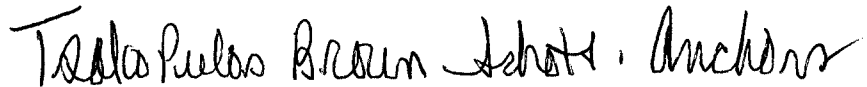
In planning and performing our audits, we considered the **FOOD BANK'S** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the

SAN ANTONIO FOOD BANK, INC.

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internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and 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.



TSAKOPOULOS BROWN SCHOTT & ANCHORS



**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**

October 27, 2006

To the Board of Directors
SAN ANTONIO FOOD BANK, INC.
San Antonio, Texas

Compliance

We have audited the compliance of **SAN ANTONIO FOOD BANK, INC. (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 are applicable to each of its major federal programs for the year ended **June 30, 2006**. The **FOOD BANK'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 the **FOOD BANK'S** management. Our responsibility is to express an opinion on the Food Bank's compliance based on our audits.

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 the **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 of the **FOOD BANK'S** compliance with those requirements.

SAN ANTONIO FOOD BANK, INC.

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In our opinion, the **FOOD BANK** 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 **June 30, 2006**.

Internal Control Over Compliance

The management of the **FOOD BANK** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the **FOOD BANK'S** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and 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.



TSAKOPULOS BROWN SCHOTT & ANCHORS

Schedule of Findings and Questioned Costs

SAN ANTONIO FOOD BANK, INC.
for the year ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unqualified opinion on the financial statements of **SAN ANTONIO FOOD BANK, INC.**
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of **SAN ANTONIO FOOD BANK, INC.** were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for **SAN ANTONIO FOOD BANK, INC.** expresses an unqualified opinion.
6. Any audit findings relative to the major federal award programs for **SAN ANTONIO FOOD BANK, INC.** that are required to be reported in accordance with Section 510(a) of Circular A-133 are reported in Part C of this schedule.
7. The programs tested as major programs were:(A) Summer Food Service Program-Cluster, CFDA #10.559, Emergency Food Assistance Program (Food Commodities) (TEXCAP)-Cluster, CFDA #10.569 and (B) Emergency Food Assistance Program (Administrative Costs) (TEXCAP)-Cluster, CFDA #10.568.
8. The threshold for distinguishing Types A and B programs was \$287,694.
9. **SAN ANTONIO FOOD BANK, INC.** was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

Schedule of Prior Year Findings and Questioned Costs

SAN ANTONIO FOOD BANK, INC.
for the year ended June 30, 2006

A. PRIOR YEAR FINDINGS - FINANCIAL STATEMENTS AUDIT

None

**B. PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR
FEDERAL AWARD PROGRAMS AUDIT**

None