

MID-SOUTH FOOD BANK, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2010

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MID-SOUTH FOOD BANK, INC.
GOVERNANCE OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2010

Board of Directors

Gwendolyn J. Tucker, Chairman

Lane Whitehead, Vice-Chairman

Jane Nuckolls, Secretary

Amy Langston, Treasurer

Greg Campbell	Pat Danehy	Art Gaines	Gloria Giles
Rod Halsell	Will Hudson	John Koski	Ted Merida
Carol Prentiss	Mark Prestidge	Otis Sanford	Rev. Chad Hampton
Joe Webb	J.J. Zmudzinski	Dan Duncan	Rev. Sonia Walker
Bill Platten	Sam Hollis (Ameritus)		

Administrative Officials

Susan H. Sanford, President & CEO

Estella Mayhue - Greer, Incoming President & CEO

Janet N. Dykes, Vice President & CFO

Robert Hall, Vice President, Operations

David Stephens, Vice President, Community Relations

Marcia Wells, Vice President, Communications



CERTIFIED PUBLIC ACCOUNTANTS
ATRIUM 1, 6800 POPLAR AVE., STE. 210
GERMANTOWN, TENNESSEE 38138
(901) 523-8283 (901) 523-8287 FAX
www.zkcpas.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mid-South Food Bank, Inc.
Memphis, Tennessee

We have audited the accompanying statement of financial position of the Mid-South Food Bank, Inc. (a non-profit organization) as of December 31, 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Mid-South Food Bank, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. Certain of the prior year audit information is being presented herein for comparative purposes only. Such data was derived from the Mid-South Food Bank's 2009 financial statements audited by us and our report dated August 12, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2011, on our consideration of the Mid-South Food Bank, Inc.'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 the Mid-South Food Bank, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Zoueda Kaplan, PLLC

Germantown, Tennessee
April 18, 2011

FINANCIAL STATEMENTS

MID-SOUTH FOOD BANK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
ASSETS				
CURRENT ASSETS				
Cash	\$ 481,437	\$ 305,404	\$ 786,841	\$ 1,067,222
Investments	4,381,452	300,000	4,681,452	4,367,022
Receivables, net	21,453	92,677	114,130	114,221
Promises to give	-	-	-	58,500
Inventory -				
Jumpstart food	125,325	-	125,325	143,668
Contributed food	1,765,158	-	1,765,158	2,875,434
Undistributed USDA commodities	-	284,511	284,511	182,043
Prepaid expenses	67,412	-	67,412	58,279
Total Current Assets	6,842,237	982,592	7,824,829	8,866,389
CAPITAL ASSETS, NET	1,821,480	-	1,821,480	1,835,366
TOTAL ASSETS	<u>\$ 8,663,717</u>	<u>\$ 982,592</u>	<u>\$ 9,646,309</u>	<u>\$ 10,701,755</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 95,702	\$ -	\$ 95,702	\$ 385,094
Accrued expenses	191,913	-	191,913	123,975
Capital lease obligations	10,172	-	10,172	12,743
Deferred compensation	47,670	-	47,670	-
Total Current Liabilities	345,457	-	345,457	521,812
LONG-TERM LIABILITIES				
Capital lease, less current portion	8,405	-	8,405	18,577
Deferred compensation, less current portion	179,146	-	179,146	288,951
Total Long-Term Liabilities	187,551	-	187,551	307,528
TOTAL LIABILITIES	533,008	-	533,008	829,340
NET ASSETS	8,130,709	982,592	9,113,301	9,872,415
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,663,717</u>	<u>\$ 982,592</u>	<u>\$ 9,646,309</u>	<u>\$ 10,701,755</u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH FOOD BANK, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE:				
Direct contributions:				
Contributions	\$ 2,381,822	\$ 240,208	\$ 2,622,030	\$ 2,453,956
Feed the Need	182,167	-	182,167	209,982
	<u>2,563,989</u>	<u>240,208</u>	<u>2,804,197</u>	<u>2,663,938</u>
In-kind contributions:				
USDA commodities	-	1,576,252	1,576,252	1,215,867
Food	18,891,126	-	18,891,126	16,948,126
Other	83,348	-	83,348	63,565
	<u>18,974,474</u>	<u>1,576,252</u>	<u>20,550,726</u>	<u>18,227,558</u>
Grants:				
Federal Government	-	969,339	969,339	1,451,871
Other	8,000	633,048	641,048	113,646
	<u>8,000</u>	<u>1,602,387</u>	<u>1,610,387</u>	<u>1,565,517</u>
Other income:				
Shared maintenance	936,043	-	936,043	922,417
Investment income (loss)	320,842	77	320,919	493,977
Insurance proceeds	-	-	-	130,449
TN vitamin settlement	-	100,000	100,000	-
Miscellaneous	4,196	-	4,196	10,272
	<u>1,261,081</u>	<u>100,077</u>	<u>1,361,158</u>	<u>1,557,115</u>
Net assets released from restrictions:				
Contributions	340,286	(340,286)	-	-
USDA commodities	1,473,784	(1,473,784)	-	-
Grants - Federal and other	1,880,921	(1,880,921)	-	-
Other income	100,077	(100,077)	-	-
	<u>3,795,068</u>	<u>(3,795,068)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>26,602,612</u>	<u>(276,144)</u>	<u>26,326,468</u>	<u>24,014,128</u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH FOOD BANK, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010			2009 Total
	Unrestricted	Temporarily Restricted	Total	
EXPENSES:				
Food Bank Warehouse:				
Contributed food	\$ 20,001,401	\$ -	\$ 20,001,401	\$ 16,190,976
Contributed food - USDA	1,473,784	-	1,473,784	1,214,737
Operations	4,534,938	-	4,534,938	3,975,419
General Administration	613,009	-	613,009	287,368
Fundraising	462,450	-	462,450	337,063
TOTAL EXPENSES	<u>27,085,582</u>	<u>-</u>	<u>27,085,582</u>	<u>22,005,563</u>
CHANGE IN NET ASSETS	(482,970)	(276,144)	(759,114)	2,008,565
NET ASSETS, BEGINNING OF YEAR	<u>8,613,679</u>	<u>1,258,736</u>	<u>9,872,415</u>	<u>7,863,850</u>
NET ASSETS, END OF YEAR	<u>\$ 8,130,709</u>	<u>\$ 982,592</u>	<u>\$ 9,113,301</u>	<u>\$ 9,872,415</u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH FOOD BANK, INC.
STATEMENT OF FUNCTIONAL EXPESNES
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010				2009
	Food Bank Warehouse	General Administration	Fundraising	Total	Total
Food cost	\$ 1,882,105	\$ -	\$ -	\$ 1,882,105	\$ 1,519,485
Salaries and wages	1,032,229	273,662	111,022	1,416,913	1,476,004
Professional services	49,391	174,315	256,687	480,393	311,809
Taxes and fringe benefits	330,504	31,298	16,294	378,096	330,907
Subgrant award	218,750	-	-	218,750	-
Utilities	171,481	3,703	2,574	177,758	154,757
Insurance	104,258	8,032	8,360	120,650	118,492
Building/equipment maintenance	89,597	830	-	90,427	82,570
Warehouse/program supplies	87,095	10	6	87,111	51,268
Fuel and oil	69,237	-	-	69,237	49,278
Office supplies	7,494	60,791	463	68,748	13,743
Postage	6,230	2,164	57,879	66,273	30,786
Vehicle maintenance	58,899	-	-	58,899	44,681
Freight	53,987	-	-	53,987	54,856
Building lease	48,800	-	-	48,800	-
Printing and publications	24,153	6,006	5,513	35,672	38,880
Travel and meetings	24,514	6,495	180	31,189	14,182
Telephone	23,828	4,710	1,822	30,360	27,380
Dues and memberships	140	17,500	-	17,640	21,786
Miscellaneous	14,070	132	-	14,202	9,573
Other taxes and licenses	7,072	1,495	-	8,567	9,938
Office maintenance	346	7,958	-	8,304	1,878
Computer maintenance	1,428	5,310	1,295	8,033	11,811
Security	5,951	143	105	6,199	5,998
Volunteer and staff recognition	253	4,780	-	5,033	5,019
Training	4,664	-	250	4,914	2,259
Interest	-	1,825	-	1,825	2,782
Advertising	875	-	-	875	272
Warehouse and equipment rental	465	-	-	465	71
Expenses before depreciation	4,317,816	611,159	462,450	5,391,425	4,390,465
Depreciation	217,122	1,850	-	218,972	209,385
TOTAL EXPENSES	4,534,938	613,009	462,450	5,610,397	4,599,850
In-kind food disbursed	20,001,401	-	-	20,001,401	16,190,976
USDA food disbursed	1,473,784	-	-	1,473,784	1,214,737
TOTAL EXPENSES INCLUDING IN-KIND	<u>\$26,010,123</u>	<u>\$ 613,009</u>	<u>\$ 462,450</u>	<u>\$27,085,582</u>	<u>\$22,005,563</u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH FOOD BANK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2010</u>	<u>2009</u>
Change in net assets	\$ (759,114)	\$ 2,008,565
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	218,972	209,385
Inventory - contributed food	1,110,276	(757,150)
Inventory - contributed USDA commodities	(102,468)	(1,131)
Net unrealized and realized (gains) losses on investments	(32,177)	(449,336)
Reinvestment of net earnings on investments	(274,820)	(35,394)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Receivables	91	29,749
Promises to give	58,500	8,833
Inventories - purchased food	18,343	(99,115)
Prepaid expenses	(9,134)	(32,248)
Increase (decrease) in liabilities:		
Accounts payable	(289,392)	60,459
Accrued expenses	67,938	17,031
Deferred compensation	(62,135)	288,951
Net cash flows provided by operating activities	<u>(55,120)</u>	<u>1,248,599</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from certificate of deposit	-	54,963
Investment in money market pool	(7,433)	(1,105,000)
Donations of property and equipment	(11,106)	(83,622)
Purchase of property and equipment	(193,980)	(160,918)
Net cash used for investing activities	<u>(212,519)</u>	<u>(1,294,577)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(12,742)	(11,941)
Net cash used for financing activities	<u>(12,742)</u>	<u>(11,941)</u>
NET INCREASE IN CASH	(280,381)	(57,919)
CASH, BEGINNING OF YEAR	<u>1,067,222</u>	<u>1,125,141</u>
CASH, END OF YEAR	<u>\$ 786,841</u>	<u>\$ 1,067,222</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for interest	\$ 1,825	\$ 2,782

The accompanying notes are an integral part of these financial statements.

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Mid-South Food Bank, Inc. (the “Food Bank”) is a nonprofit Tennessee corporation serving West Tennessee, East Arkansas, and North Mississippi. The Food Bank is a member of Feeding America, a national food bank network. The Food Bank operates as a clearinghouse to receive, store and distribute food and non-grocery items. Donors include food manufacturers, wholesalers, brokers, retailers, other food service establishments, local companies and individuals. The Food Bank distributes food to nonprofit agencies that serve the ill, needy and infants. In 2010 and 2009, the Food Bank distributed food to approximately 325 and 314 charitable programs, respectively.

2. Basis of Presentation

The financial statements of the Food Bank have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

The net assets of the Food Bank are reported in the following classes: (a) unrestricted net assets, or (b) temporarily restricted net assets. Temporarily restricted net assets are created when contributions are received with donor-imposed restrictions on their use. All other net assets, including Board designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class. The Food Bank currently has no permanently restricted net assets.

3. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. The Food Bank places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit.

Federal Emergency Management Agency (FEMA) grant funds are maintained in a separate bank account.

4. Fair Value Measurements

The FASB Accounting Standards Codification Subtopic 820-10 Fair Value Measurements, (formerly SFAS No. 157), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Fair Value Measurements (Continued)

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- 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. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The estimated fair value of the Food Bank's financial instruments has been determined by management using available market information. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the fair values are not necessarily indicative of the amounts that the Food Bank could realize in a current market exchange. The use of different market assumptions may have a material effect on the estimated fair value amounts. The carrying amounts of cash, cash equivalents, accounts payable, and long-term debt are a reasonable estimate of their fair value.

5. Income Recognition and Investment Valuation

Dividend income is recorded on the payable date. Income from other investments is recorded as earned on an accrual basis.

Purchases and sales of securities are recorded on a settlement date basis. Gain or loss on sales of securities is based upon specific identification.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

6. Receivables

In exchange for the food and grocery items agencies receive, the agencies contribute a per-pound handling fee to the Food Bank, referred to as a shared maintenance fee. This fee ranges from zero to eighteen cents per pound. It is the policy of the Food Bank to reserve the right to suspend the shopping privileges of an agency with past due balances of 60 days or more when an agency remains unresponsive to collection efforts. Collateral is not required to support customer receivables. As of December 31, 2010 and 2009, the allowance for doubtful accounts totaled \$1,000.

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Inventory - Food and Commodities

Inventories consist of jumpstart food, contributed food, and undistributed USDA commodities.

- Jumpstart Food - This inventory consists of undistributed food purchased by the Food Bank, which is valued at cost using the first-in, first-out method.
- In-Kind Contributed Food - This inventory consists of contributed food and food purchased with contributed funds, which is valued at an average wholesale market price per pound, as determined by Feeding America.
- Undistributed USDA Commodities - By virtue of a federal non-cash awards (grant) program, the Tennessee Department of Agriculture, in accordance with regulations set forth by the United States Department of Agriculture (USDA), provides commodities to the Food Bank for distribution to charitable agencies that serve meals to the homeless, low-income families, and other needy individuals. The value of the commodities received, as determined by the Tennessee Department of Agriculture, for the years ended December 31, 2010 and 2009 totaled \$1,576,252 and \$1,215,867, respectively. The value of USDA commodities on hand as of December 31, 2010 and 2009 totaled \$284,511 and \$182,043, respectively.

8. Capital Assets

Property and equipment purchased by the Food Bank are recorded at cost. The Food Bank follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. Donated equipment is recorded at its estimated fair value at the date of donation. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets. Upon the disposal of property and equipment, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is reflected in operations. Maintenance, repairs, and renewals that neither materially add to the value of the property and equipment nor appreciably prolong its life are charged to expense as incurred.

9. Contributions

Contributions are recognized as revenue when they are received or unconditionally promised. The estimated fair value of donations is recognized by the Food Bank only if donated services are of a specialized nature or when an asset is created. The Food Bank reports gifts of cash and other assets 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. In-Kind Contributions

The Food Bank records various types of in-kind contributions received in the course of daily operations including professional services, supplies and food. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

11. Advertising

The Food Bank charges the costs of advertising to expense as incurred. The advertising expenses consist of vehicle graphics, signage for sponsored programs, and the Memphis Restaurant Association ads for Feed the Need programs. Advertising expenses totaled \$875 and \$272 for the years ended December 31, 2010 and 2009, respectively.

12. Income Taxes

The Internal Revenue Service has classified the Food Bank as other than a private foundation which is exempt from federal income taxes on related business income and federal unemployment taxes under Section 501(c)(3) of the United States Internal Revenue Code. The Food Bank is similarly exempted from Tennessee taxes in its related exempt income under provisions of the Tennessee Tax Code. Consequently, no federal or state income taxes have been provided in these statements. The Food Bank does not have any unrelated business income for the years ended December 31, 2010 and 2009.

13. Estimates and Uncertainties

The presentation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

14. Functional Allocation of Expenses

The cost of providing the program, fund-raising and administrative activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program, fund-raising, and administrative activities benefited.

15. Subsequent Events

For the year ended December 31, 2010, the Food Bank has evaluated subsequent events for potential recognition and disclosure through April 18, 2011, the date of the financial statement issuance.

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE B – FAIR VALUE OF INVESTMENTS

All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. These assets measured at fair value on a recurring basis are summarized in the table below:

	Assets at Fair Value as of December 31, 2010				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
	CFGM Balanced Pool	\$ 903,555	\$ 538,177	\$ 447,653	\$ 1,889,386
	CFGM Equity Pool	562,112	159,314	165,878	887,304
CFGM Money Market Pool	1,904,762	-	-	1,904,762	
Total	\$ 3,370,430	\$ 697,491	\$ 613,531	\$ 4,681,452	

	Assets at Fair Value as of December 31, 2009				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	
	CFGM Balanced Pool	\$ 783,399	\$ 497,850	\$ 413,926	\$ 1,695,175
	CFGM Equity Pool	485,749	136,626	152,143	774,518
CFGM Money Market Pool	1,897,329	-	-	1,897,329	
Total	\$ 3,166,476	\$ 634,476	\$ 566,069	\$ 4,367,022	

The assignment of the fair value of the Food Bank's investments in the Community Foundation of Greater Memphis's (CFGM) balanced pool, equity pool, and money market pool to Levels 1, 2, and 3, as set out above, at December 31, 2010 and 2009, was based on the percentages assigned by CFGM to these funds as disclosed in CFGM's most recent audited financial statements of these funds.

Prices for investment securities, such as domestic common stocks, mutual funds, and U.S. government and agency fixed income securities, and the transacted values for money market mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Prices for corporate bonds and certain equity securities are determined on a recurring basis based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2.

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE B – FAIR VALUE OF INVESTMENTS (Continued)

There is limited or no observable data for the prices of certain hedged equity investments, absolute return (hedge fund) investments, and private real estate investments that are held by the CFGM and the resulting fair values of these securities are categorized as Level 3. The fair value of these investments was based primarily on the net asset value or its equivalent provided by the fund managers.

The following table illustrates the activity of Level 3 assets for the year ended December 31, 2010:

Fair value at January 1, 2009	\$ 724,847
Realized and unrealized gains (losses)	(140,989)
Purchases, sales and investments contributed, net	<u>(17,789)</u>
Fair value at December 31, 2009	566,069
Realized and unrealized gains (losses)	30,785
Purchases, sales and investments contributed, net	<u>16,677</u>
Fair value at December 31, 2010	<u>\$ 613,531</u>

There were no changes during the years ended December 31, 2010 or 2009, to the Food Bank's valuation techniques used to measure asset and liability fair values on a recurring basis.

The Food Bank has entered into agreements with the CFGM, creating non-profit designated funds to benefit the Food Bank's charitable work. The CFGM agreed to the Food Bank's restriction that the income and assets of the funds are to be granted to or used for the benefit of the Food Bank. The CFGM is required by Treasury regulations to redirect the resources in the funds to other charitable purposes consistent with those of the Food Bank if the CFGM's Board determines that the Food Bank's restrictions are unnecessary, incapable of fulfillment, or are inconsistent with the charitable needs of the community. The CFGM has acknowledged that such circumstances do not presently exist.

The Food Bank has designated advisors to the CFGM for the purpose of making recommendations and giving advice to the CFGM regarding the administration and distribution of the funds' assets. The aggregate amount reflected in the statements of financial position consists of investments in pooled accounts at the CFGM, initially carried at cost and subsequently adjusted for unrealized appreciation or depreciation based on quoted price in an active market. The following schedule summarizes the components of investment income recognized in the statements of activities.

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE B – FAIR VALUE OF INVESTMENTS (Continued)

	<u>2010</u>	<u>2009</u>
Investment interest and dividend income	\$ 54,183	\$ 50,141
Interest on checking and savings accounts	6,489	9,247
Realized gains (losses) on sale of investments	66,694	(68,676)
Unrealized appreciation on investments held	215,558	518,012
Management fees	<u>(22,006)</u>	<u>(14,747)</u>
Total investment income, net	<u>\$ 320,919</u>	<u>\$ 493,977</u>

NOTE C – RECEIVABLES

Accounts receivable at December 31, consist of the following:

	<u>2010</u>			<u>2009</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Shared maintenance, net	\$ 20,256	\$ -	\$ 20,256	\$ 55,286
Grants	92,677	-	92,677	54,913
Other	1,197	-	1,197	4,022
Total receivables	<u>\$ 114,130</u>	<u>\$ -</u>	<u>\$ 114,130</u>	<u>\$ 114,221</u>

Grants receivable at December 31, consist of the following:

	<u>2010</u>	<u>2009</u>
City of Memphis Grant - expended	\$ 30,183	\$ 35,903
Tennessee Department of Agriculture - expended	62,494	19,010
Total grants receivable	<u>\$ 92,677</u>	<u>\$ 54,913</u>

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE D - PROMISES TO GIVE

The Food Bank recognizes promises to give as contributions when adequate evidentiary documentation supporting the promise is obtained. Management does not consider an allowance for uncollectible promises to give to be necessary. The following shows the promises expected to be received as of December 31:

Promises to give to be collected in:		<u>2010</u>	<u>2009</u>
	2010	\$ -	\$ 58,500
	2011	-	-
Total promises to give		<u>\$ -</u>	<u>\$ 58,500</u>

NOTE E - CAPITAL ASSETS

Capital assets consist of the following major classifications:

	<u>12/31/2009</u>			<u>12/31/2010</u>
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
Depreciable Assets:				
Buildings	\$ 2,381,652	\$ 5,899	\$ -	\$ 2,387,551
Equipment	558,054	88,690	-	646,744
Vehicles	590,438	110,497	-	700,935
Total Depreciable Assets	<u>3,530,144</u>	<u>205,086</u>	<u>-</u>	<u>3,735,230</u>
Accumulated Depreciation:				
Buildings	(1,187,393)	(106,542)	-	(1,293,935)
Equipment	(428,149)	(45,998)	-	(474,147)
Vehicles	(317,726)	(66,432)	-	(384,158)
Total Accumulated Depreciation	<u>(1,933,268)</u>	<u>(218,972)</u>	<u>-</u>	<u>(2,152,240)</u>
Net Depreciable Assets	1,596,876			1,582,990
Nondepreciable Assets:				
Land	238,490	\$ -	\$ -	238,490
Total Capital Assets, net	<u>\$ 1,835,366</u>			<u>\$ 1,821,480</u>

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE F - ACCRUED EXPENSES

Accrued expenses consist of the following:

	<u>2010</u>	<u>2009</u>
Salaries payable	\$ 26,881	\$ 19,197
Vacation payable	32,240	30,205
Accrued payroll taxes	55,876	1,461
Accrued payroll deductions	20,577	20,936
Accrued 401(k) expense	56,339	52,177
Total accrued expenses	<u>\$ 191,913</u>	<u>\$ 123,975</u>

NOTE G - CAPITAL LEASE OBLIGATIONS

The Food Bank entered into capital leases for office equipment during 2007. An integral part of this transaction was the payoff of the lease balance remaining on the equipment being replaced of \$27,407. Equipment under capital leases is reported as of December 31, 2010, at a cost of \$31,653, with accumulated depreciation of \$23,891. For financial reporting purposes, the present value of future minimum lease payments related to the equipment acquired has been capitalized. Amortization of these assets is included in depreciation expense and totaled \$7,006 for the year ended December 31, 2010. Future minimum lease payments under these non-cancelable capital leases as of December 31, 2010 are as follows:

Year ending:	
December 31, 2011	\$ 11,180
December 31, 2012	8,760
Total minimum lease payments	<u>19,940</u>
Less: amounts representing interest at 5% - 8%	<u>(1,363)</u>
Present value of future minimum lease payments	18,577
Less: current portion	<u>(10,172)</u>
Long-term portion	<u>\$ 8,405</u>

NOTE H - IN-KIND CONTRIBUTED FOOD AND SERVICES

Contributions of food donated by the general public to the Food Bank and food purchased with contributed funds and distributed to charitable agencies is classified in the statement of activities under support and revenue and a corresponding expense is recognized under program services as contributed food is disbursed. Feeding America valued such food at an average of \$1.60 and \$1.58 per pound for the years ended December 31, 2010 and 2009, respectively.

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE H - IN-KIND CONTRIBUTED FOOD AND SERVICES (Continued)

The value of the USDA commodities received and distributed is included in the statement of activities as USDA commodities and an offsetting expense is recognized under Food Bank warehouse program services as USDA commodities distributed. The value of commodities received but not distributed have been capitalized on the statement of financial position as undistributed USDA commodities, and as temporarily restricted net assets.

	2010	2009
Approximate pounds of food distributed	12,500,876	10,247,453

Development and special events coordinators manage the Food Bank's fundraising activities, with significant participation by members of the Board of Directors. The fundraising expenses in the accompanying financial statements reflect the expenses of staff members, but do not reflect the value of the volunteer fundraising effort by the Board of Directors.

Additionally, the Food Bank received a significant amount of contributed time from general volunteers and various donated supplies, which do not meet the recognition criteria. Accordingly, the value of this contributed time and donated supplies has not been determined and is not reflected in the accompanying financial statements.

The Food Bank recognized in-kind contributions, changes in inventory and fixed assets, and expenses for 2010 as follows:

	Contribution	Change in Inventory	Change in Fixed Assets	Expense
Contributed food	\$ 18,891,126	\$(1,110,275)	\$ -	\$ 20,001,401
Contributed food - USDA	1,576,252	102,468	-	1,473,784
Transportation	34,000	-	-	34,000
Special events/promotions	11,479	-	-	11,479
Warehouse items - boxes	10,200	-	-	10,200
GPS system	10,000	-	10,000	-
Printing	5,770	-	-	5,770
Waste services	3,600	-	-	3,600
Maintenance	3,276	-	-	3,276
Design services	2,000	-	-	2,000
Warehouse-carton flow bay	1,106	-	1,106	-
Professional services-venue	1,000	-	-	1,000
Supplies	517	-	-	517
Telephone - wireless	400	-	-	400
Total in-kind contributions	\$ 20,550,726	\$(1,007,807)	\$ 11,106	\$ 21,547,427

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE H - IN-KIND CONTRIBUTED FOOD AND SERVICES (Continued)

The Food Bank recognized in-kind contributions, changes in inventory and fixed assets, and expenses for 2009 as follows:

	<u>Contribution</u>	<u>Change in Inventory</u>	<u>Change in Fixed Assets</u>	<u>Expense</u>
Contributed food	\$ 16,948,126	\$ 757,150	\$ -	\$ 16,190,976
Contributed food - USDA	1,215,867	1,130	-	1,214,737
Transportation	34,000	-	-	34,000
Special events/promotions	10,475	-	-	10,475
Printing	6,500	-	-	6,500
Warehouse items	4,557	-	-	4,557
Waste services	3,600	-	-	3,600
Design services	2,000	-	-	2,000
Maintenance	1,533	-	-	1,533
Office furniture	500	-	-	500
Telephone - wireless	400	-	-	400
Total in-kind contributions	<u>\$ 18,227,558</u>	<u>\$ 758,280</u>	<u>\$ -</u>	<u>\$ 17,469,278</u>

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE I - GRANT INCOME

Grants consist of the following for 2010:

	Unrestricted Support	Temporarily Restricted Support	Total Support	Net Assets Released from Restrictions
Government Grants:				
State of Tennessee	\$ -	\$ 500,000	\$ 500,000	\$ 500,000
Federal Emergency Management Agency	-	100,500	100,500	100,500
Tennessee Department of Agriculture - cash assistance - ARRA	-	112,059	112,059	112,059
Tennessee Department of Agriculture - cash assistance	-	142,096	142,096	79,602
City of Memphis, TN	-	77,424	77,424	47,241
Shelby County Government	-	37,260	37,260	37,260
Total government grants	<u>-</u>	<u>969,339</u>	<u>969,339</u>	<u>876,662</u>
Other Grants:				
Kresge Foundation	-	550,000	550,000	415,635
Feeding America / Kresge - truck	-	69,548	69,548	69,548
Junior League Backpack Program	-	13,500	13,500	13,500
MAZON: A Jewish Response to Hunger	8,000	-	8,000	-
Total other grants	<u>8,000</u>	<u>633,048</u>	<u>641,048</u>	<u>498,683</u>
Total Grants	<u>\$ 8,000</u>	<u>\$ 1,602,387</u>	<u>\$ 1,610,387</u>	1,375,345
Release of grant revenue received in prior years				<u>505,576</u>
				<u>\$ 1,880,921</u>

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE I - GRANT INCOME (Continued)

Grants consist of the following for 2009:

	Unrestricted Support	Temporarily Restricted Support	Total Support	Net Assets Released from Restrictions
Government Grants:				
Shelby County - ARRA	\$ -	\$ 750,000	\$ 750,000	\$ 299,345
State of Tennessee	5,000	183,939	188,939	183,939
Federal Emergency Management Agency	-	187,936	187,936	187,936
Tennessee Department of Agriculture - cash assistance	-	174,390	174,390	155,380
City of Memphis, TN	-	73,106	73,106	37,203
Shelby County Government	-	40,500	40,500	40,500
Southwest Human Resource Agency (SWHRA) - ARRA	-	37,000	37,000	36,992
Total government grants	<u>5,000</u>	<u>1,446,871</u>	<u>1,451,871</u>	<u>941,295</u>
Other Grants:				
Walmart (Freightliner truck)	83,622	-	83,622	-
Nationwide	10,000	-	10,000	-
Unilever	-	10,000	10,000	1,958
Feeding America - Navision upgrade	4,500	-	4,500	-
Junior League Backpack Program	-	5,524	5,524	5,524
Total other grants	<u>98,122</u>	<u>15,524</u>	<u>113,646</u>	<u>7,482</u>
Total Grants	<u>\$ 103,122</u>	<u>\$ 1,462,395</u>	<u>\$ 1,565,517</u>	948,777
Release of grant revenue received in prior years				<u>442,478</u>
				<u>\$ 1,391,255</u>

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE J - PROFIT SHARING PLAN

The Food Bank has a profit sharing plan that covers substantially all employees. All employees at least twenty and one-half (20 1/2) years of age with a minimum of twelve (12) months of service are eligible to participate. Participants may make contributions up to the annual limit as established by the tax laws. For 2010 and 2009, the employer has made a 3% Safe Harbor Non-elective Contribution and a 2% discretionary contribution. All employer contributions are allocated to the plan participants proportionate to their salary. Benefits vest in accordance with the terms contained within the plan.

Employer contributions for the years ended December 31, 2010 and 2009, totaled \$56,578 and \$52,177, respectively, which is included in taxes and fringe benefits.

NOTE K - CONCENTRATION OF CREDIT RISK

The Food Bank's cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At December 31, 2010, these balances exceeded federally insured limits by approximately \$169,040.

NOTE L - RELATED PARTY TRANSACTIONS

In the normal course of business, the Food Bank purchases food from local grocers who have representatives on the Food Bank's Board of Directors. The amount purchased from these grocers during the years ended December 31, 2010 and 2009, totaled \$11,222 and \$68,479, respectively. The Food Bank also purchased graphics services from a local artist who is also the spouse of one of the Food Bank's employees, totaling \$2,375 for the year ended December 31, 2010. In addition, the Food Bank has made purchases from Auto Zone and The Commercial Appeal totaling \$397 and \$770, respectively, in the current year. There are representatives on the Food Bank's Board of Directors from both of these entities.

NOTE M - DEFERRED COMPENSATION

On December 29, 2010, the Food Bank signed an agreement in connection with the retirement of the current President and Chief Executive Officer of the Food Bank, as of December 31, 2010, in recognition of previous services performed. Per the agreement, an amount of \$47,670 per year is to be paid in monthly installments of \$3,972.50, for the five years beginning January 2011 through December 2015. The present value of these funds totaling \$226,816 has been recorded as a liability of the Food Bank as of December 31, 2010.

MID-SOUTH FOOD BANK, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE N - TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted for time and purpose are detailed as follows:

	<u>2010</u>	<u>2009</u>
Assisi Foundation Food Assurance Fund	\$ 300,000	\$ 300,000
USDA commodities to distribute	284,511	182,043
Kresge Foundation	134,365	-
USDA grant	62,494	19,009
Walmart	50,016	18,436
Disaster relief	43,281	45,609
Backpack program	31,220	68,658
City of Memphis - Perishable Food Program	30,183	35,903
Kid's Café	23,327	53,888
Turkey purchase	23,058	-
Virtual Food Drive	135	-
Grant through Feeding America	2	2
USDA - ARRA	-	450,655
Promises to give	-	58,500
American Idol	-	24,616
International Paper	-	1,314
Lincy Foundation	-	95
Southwest Human Resource Agency (SWHRA) - ARRA	-	8
	<u> </u>	<u> </u>
Total temporarily restricted net assets	<u>\$ 982,592</u>	<u>\$ 1,258,736</u>

SUPPLEMENTARY INFORMATION

MID-SOUTH FOOD BANK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2010

<u>Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>MAJOR FEDERAL PROGRAMS:</u>			
U.S. Department of Health and Human Services/ TN Department of Human Services Food for the Purpose of Hunger Relief - ARRA	93.710	N/A	\$ 450,655
U.S. Department of Agriculture/ TN Department of Agriculture Commodities Program	10.569	N/A	1,473,784 (2)
U.S. Department of Agriculture/ TN Department of Agriculture Commodities Program - Cash Assistance	10.568	GR-10-31500	79,602
Cash Assistance - ARRA	10.568	GR-10-31500	112,059
Cash Assistance	10.568	N/A	62,494
Total Major Federal Programs			<u>2,178,594</u>
<u>OTHER FEDERAL PROGRAMS:</u>			
U.S. Department of Housing and Urban Development/ City of Memphis, TN Prepared and Perishable Food Recovery Program	14.218	25785	21,817
Prepared and Perishable Food Recovery Program	14.218	27242	55,607
Federal Emergency Management Agency (FEMA)/ United Way of the Mid-South Emergency Food and Shelter Program	97.024	27-7782-00	100,500
Interest earned			77
U.S. Department of Health and Human Services/ TN Department of Human Services Food for the Purpose of Hunger Relief	93.667	GR-10-29666	500,000
Southwest Human Resource Agency (SWHRA) - ARRA	93.710	N/A	8
Total Other Federal Programs			<u>678,009</u>
Total Federal Programs			<u>\$ 2,856,603</u>

The accompanying notes are an integral part of this schedule.

MID-SOUTH FOOD BANK, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of government awards includes the federal grant activity of Mid-South 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 Organizations* and the State of Tennessee Department of Audit, *Audit Manual*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule of expenditures of government awards as determined by the Tennessee Department of Agriculture. During the year ended December 31, 2010, the Food Bank received USDA commodities totaling \$1,576,252 and disbursed USDA commodities totaling \$1,473,784, leaving USDA commodities totaling \$284,511 in ending inventory.



CERTIFIED PUBLIC ACCOUNTANTS
ATRIUM 1, 6800 POPLAR AVE., STE. 210
GERMANTOWN, TENNESSEE 38138
(901) 523-8283 (901) 523-8287 FAX
www.zkcpas.com

**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**

Board of Directors
Mid-South Food Bank, Inc.
Memphis, Tennessee

We have audited the financial statements of the Mid-South Food Bank, Inc. (the "Food Bank") as of and for the year ended December 31, 2010, and have issued our report thereon dated April 18, 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 the 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 the 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 Food Bank's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended for the information and use of the audit committee, management, others within the Food Bank, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Germantown, Tennessee
April 18, 2011



CERTIFIED PUBLIC ACCOUNTANTS
ATRIUM 1, 6800 POPLAR AVE., STE. 210
GERMANTOWN, TENNESSEE 38138
(901) 523-8283 (901) 523-8287 FAX
www.zkcpas.com

**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**

Board of Directors
Mid-South Food Bank, Inc.
Memphis, Tennessee

Compliance

We have audited the compliance of the Mid-South Food Bank, Inc. (the "Food Bank") 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 its major federal programs for the year ended December 31, 2010. 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, grant agreements, and other matters 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 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 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.

In our opinion, the Food Bank complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, grant agreements, and other matters applicable to federal programs. In planning and performing our audit, we considered the Food Bank'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 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 the 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 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 management, the Board of Directors, the State of Tennessee 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.

Zoccola Kaplan, PLLC

Germantown, Tennessee
April 18, 2011

MID-SOUTH FOOD BANK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
- Material weakness(es) identified?	_____ yes	<u> X </u> no
- Significant deficiencies identified?	_____ yes	<u> X </u> none reported
- Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards:

Internal control over major programs:		
- Material weakness(es) identified?	_____ yes	<u> X </u> no
- Significant deficiencies identified?	_____ yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs:		<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ yes	<u> X </u> no

Identification of major programs:

CFDA No. 93.710	Food for the Purpose of Hunger Relief - ARRA
CFDA No. 10.569	USDA - Commodities Program
CFDA No. 10.568	USDA - Cash Assistance
Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
Auditee qualified as low risk auditee?	<u> X </u> yes _____ no

Section II - Financial Statement Findings
None.

Section III - Federal Award Findings and Questioned Costs
None.

Section IV - Prior Year's Findings and Questioned Costs
None.