

BOITANO, SARGENT & LILLY, LLP

Certified Public Accountants

1760 THE ALAMEDA
SAN JOSE, CALIFORNIA 95126
TELEPHONE (408) 287-2123

FRANK L. BOITANO
STEVEN F. BOITANO
H. OGDEN LILLY

LOUIS F. BOITANO
(1947-2008)
FRANCES V. SARGENT
(1957-1988)

www.bsllcpa.com
FAX (408) 295-1436

Certified Staff
CHRIS COLLINS MADRID
JIMMIE MAGDALENO
KATHLEEN MATRANGA BENSON
JAMES C. WAI
ANTHIE KARVOUNIS
CRYSTAL K. HOFER
KEVIN M. EPES
ALICE BOYD
JOE CASEY
KATHY McFARLAND
DAN REUTER

November 6, 2009

To the Board of Directors
Loaves & Fishes Family Kitchen

We have audited the financial statements of Loaves & Fishes Family Kitchen for the year ended June 30, 2009, and have issued our report thereon dated November 6, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 2, 2007. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Loaves & Fishes Family Kitchen are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2009. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the allocation of functional expenses and the useful lives of fixed assets.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

\$106,664 – Adjustment for in-kind contributions

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

During our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Inventory

We noted that there is no annual count performed on the inventory of food on-hand to determine the year ending inventory amount reported on the Statement of Financial Position. We recognize that inventory is not significant at this time. However, if inventory ever became a material amount, the Organization should be prepared to perform a year end inventory count of its food in order to fairly present the inventory balance on the financial statements.

Management's response

Loaves & Fishes will now perform an inventory count every year at June 30.

Cash Receipts

In small organizations such as Loaves and Fishes, improving internal controls while still being cost effective is always a challenge. We noted that cash receipts are logged on a daily basis and these logs, along with the receipts, are couriered to the Health Trust for recording and deposit. We also understand that all employees are fingerprinted and subject to background checks. We believe that these are sound controls to have in place but also recognize that controls over cash receipts can always be improved in small organizations. As long as it is cost effective, the Organization may want to consider implementing additional steps to further strengthen internal controls over cash receipts. Examples of such controls are having two people open the mail, bonding the executive director position, or publishing the names of donors.

Management's response

Loaves & Fishes will now have two people open all mail and both individuals will sign the receipt log.

This information is intended solely for the use of the Board of Directors and management of Loaves & Fishes Family Kitchen and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Boitano, Sargent & Lilly, LLP