Chez Panisse Foundation

Financial Statements

For the Year Ended
June 30, 2009

REGALIA and ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

CHEZ PANISSE FOUNDATION

(A California Not-For-Profit Corporation)
June 30, 2009

The Chez Panisse Foundation envisions a public school curriculum that includes hands-on experiences in school kitchens, gardens, and lunchrooms, and that provides healthy, freshly prepared meals as part of each school day.

Our mass consumer culture has created an unprecedented crisis of diet-related disease among our nation's youth. According to the Centers for Disease Control, as a result of diabetes and obesity, this generation may be the first to die younger than its parents. Not only are children eating unhealthy food, they are absorbing the values that go with it: the notions that food should be fast, cheap, and easy; that abundance is permanent; that it's ok to waste.

While we did not begin our work with the obesity epidemic in mind, comprehensive programs such as ours are an effective way to reach children, especially those at greatest risk. Over the past ten years, we have worked to establish groundbreaking models in the Berkeley Unified School District: the Edible Schoolyard and the School Lunch Initiative.

Board of Directors and Staff

Name	Office
Alice Waters	President
Susan Andrews	Director
Mark Buell	Director
Katrina Heron	Director
Sherry Hirota	Director
Christina Kim	Director
Martin Krasney	Director
John Lyons	Director
Sally Wilcox	Director

Executive Director
Brian Byrnes

CHEZ PANISSE FOUNDATION OFFICE
1517 Shattuck Avenue
Berkeley, California 94709
510.843.3811
Web Site Address: www.chezpanissefoundation.org

CHEZ PANISSE FOUNDATION

(A California Not-For-Profit Corporation)
June 30, 2009

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R&A CPA
Regalia & Associates

CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526
DOUGLAS W. REGALIA, CPA, A PROFESSIONAL CORPORATION
DANA E. CHAVARRIA, CPA, SENIOR TAX MANAGER
MARIANNE RYAN, SENIOR AUDIT MANAGER
TRICIA WILSON, AUDIT & ACCOUNTING
JANICE TAYLOR, CPA, AUDIT & TAX
OFFICE: 925.314.0390 FAX: 925.314.0469

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Chez Panisse Foundation

We have audited the statement of financial position of Chez Panisse Foundation as of June 30, 2009 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Chez Panisse Foundation's management. Our responsibility is to express an opinion on the financial statements based on our audit. The financial statements of Chez Panisse Foundation as of June 30, 2008 were audited by other auditors whose report dated September 29, 2008 expressed an unqualified opinion on those statements. The prior-year summarized comparative information on the statements of activities and changes in net assets and the statement of functional expenses has been derived from Chez Panisse Foundation's June 30, 2008 financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Chez Panisse Foundation as of June 30, 2009 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Regalia & Associates

Danville, California
September 18, 2009

Statements of Financial Position
June 30, 2009 and 2008

ASSETS

		2009	2008
Current assets:			
Cash and cash equivalents	$	**255,160**	533,209
Grants and pledges receivable		**88,939**	350,370
Investments		**2,656,313**	2,657,750
Inventory		**78,103**	-
Prepaid expenses		**16,394**	6,789
Total current assets		**3,094,909**	3,548,118
Non-current assets:			
Property and equipment, net		**118,863**	94,205
Total non-current assets		**118,863**	94,205
	$	**3,213,772**	3,642,323

LIABILITIES AND NET ASSETS

		2009	2008
Current liabilities:			
Accounts payable	$	**40,602**	18,763
Accrued liabilities		**30,997**	42,144
Deferred revenue		**16,000**	29,151
Total current liabilities		**87,599**	90,058
Net assets:			
Unrestricted		**2,884,581**	2,541,882
Temporarily restricted		**241,592**	1,010,383
Total net assets		**3,126,173**	3,552,265
	$	**3,213,772**	3,642,323

CHEZ PANISSE FOUNDATION

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2009

(with Summarized Financial Information for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
Changes in net assets:				
Revenue and public support:				
Earned income:				
Summer camp	$ 4,460	-	4,460	3,300
Other program revenue	37,565	-	37,565	9,768
Total earned income	42,025	-	42,025	13,068
Grants and contributions:				
Individuals	306,012	-	306,012	981,959
Foundations	263,968	60,000	323,968	541,247
Corporations	119,686	-	119,686	147,247
Government	207,615	-	207,615	18,989
Honorariums	30,400	-	30,400	1,414
Special events	152,626	-	152,626	212,866
In-kind donations	27,142	-	27,142	13,529
Dividend/interest/investment income	63,250	-	63,250	114,932
Other income	227	-	227	5,740
Net assets released from restrictions:				
Satisfaction of temporary restrictions	828,791	(828,791)	-	-
Total grants and contributions	1,999,717	(768,791)	1,230,926	2,037,923
Total revenue and public support	2,041,742	(768,791)	1,272,951	2,050,991
Expenses:				
Program	1,294,379	-	1,294,379	1,071,752
Fundraising	181,989	-	181,989	225,278
General and administrative	117,307	-	117,307	103,720
Total expenses	1,593,675	-	1,593,675	1,400,750
Increase (decrease) in net assets before unrealized losses on investments	448,067	(768,791)	(320,724)	650,241
Unrealized losses on investments	(105,368)	-	(105,368)	(32,193)
Increase (decrease) in net assets	342,699	(768,791)	(426,092)	618,048
Net assets at beginning of year	2,541,882	1,010,383	3,552,265	2,934,217
Net assets at end of year	$ 2,884,581	241,592	3,126,173	3,552,265

Statements of Cash Flows
Years Ended June 30, 2009 and 2008

		2009	2008
Operating activities:			
Increase (decrease) in net assets	$	**(426,092)**	618,048
Adjustments to reconcile to cash provided by (used for) operating activities:			
Depreciation		**12,113**	5,305
Unrealized losses on investments		**105,368**	32,193
Discount on multi-year pledges			-
Donated goods and services		**27,142**	13,529
Donated goods and services used in operations		**(27,142)**	(13,529)
Changes in:			
Grants and pledges receivable		**261,431**	210,449
Inventory		**(78,103)**	-
Prepaid expenses		**(9,605)**	(6,789)
Accounts payable		**21,839**	(24,467)
Accrued liabilities		**(11,147)**	20,425
Deferred revenue		**(13,151)**	29,151
Cash provided by (used for) operating activities		**(137,347)**	884,315
Investing activities:			
Acquisition of property and equipment		**(36,771)**	(13,021)
Net funds used to acquire investments		**(103,931)**	(2,589,944)
Cash used for investing activities		**(140,702)**	(2,602,965)
Decrease in cash and cash equivalents		**(278,049)**	(1,718,650)
Cash and cash equivalents at beginning of year		**533,209**	2,251,858
Cash and cash equivalents at end of year	$	**255,160**	533,208
Additional cash flow information:			
Franchise taxes paid	$	**150**	150
Interest paid	$	**-**	-

Statement of Functional Expenses
Year Ended June 30, 2009
(with Summarized Financial Information for the Year Ended June 30, 2008)

		Program Services	Fund-raising	General and Admin-istrative	Totals 2009	Totals 2008
Depreciation	$	9,690	1,817	606	12,113	5,305
Dues and subscriptions		389	-	125	514	434
Education - school yard		78,669	33	-	78,702	65,902
Employee benefits		74,995	10,207	12,882	98,084	91,328
Equipment		280	-	-	280	566
Events		384	87,914	-	88,298	87,122
Grants and contracts to others		319,564	-	-	319,564	169,090
Insurance		1,579	-	1,438	3,017	2,853
Legal and accounting		3,516	-	14,488	18,004	10,164
Licenses and permits		-	-	20	20	160
Miscellaneous		2,227	755	141	3,123	4,029
Office supplies		5,215	-	250	5,465	10,703
Outside services		2,508	-	3,956	6,464	6,140
Payroll taxes		34,636	4,714	5,950	45,300	45,298
Postage and delivery		2,883	3,643	90	6,616	4,384
Printing		19,085	2,713	-	21,798	16,126
Professional fees		253,395	4,234	396	258,025	234,848
Rent and utilities		19,762	2,690	3,395	25,847	23,305
Repairs and maintenance		1,903	-	-	1,903	9,558
Salaries and wages		426,093	57,995	73,193	557,281	563,362
Staff development		2,866	-	-	2,866	6,007
Telephone and internet		10,500	174	116	10,790	10,740
Travel		24,240	5,100	261	29,601	33,326
Totals	$	1,294,379	181,989	117,307	1,593,675	1,400,750

Notes to Financial Statements
June 30, 2009

1. Organization

The Chez Panisse Foundation (Chez Panisse) was organized and incorporated in 1996 as a nonprofit corporation under the laws of the State of California. Chez Panisse believes every child has a right to fresh, healthy food and that a public school is the best place to provide it. Like physical education programs—established forty years ago in response to a presidential commission concerned about the fitness of our nation's youth—food education and access to fresh, healthy food must become part of the public school experience. The Foundation has developed three program areas to support this vision:

School Lunch Reform: A strategy to transform the quality of school food nationwide, and a model school lunch program in the Berkeley Unified School District.

The Edible Schoolyard: A model garden and kitchen program on the grounds of a public school, where students learn the connections between food, health, and the environment.

The Edible Schoolyard Affiliate Network: A small network of model programs which demonstrate that the Edible Schoolyard can succeed in a diverse set of climates and communities, and through a variety of funding streams.

2. Summary of Significant Accounting Policies

Basis of Accounting
The financial statements of Chez Panisse have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Chez Panisse is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Revenue Recognition
Chez Panisse records contributions in accordance with the recommendations of the Financial Accounting Standards Board in its SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents
Chez Panisse considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Chez Panisse maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. Chez Panisse has not experienced any losses in such accounts.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements
The fair values of all reported assets and liabilities (including financial instruments, none of which are held for trading purposes) approximate carrying values of such amounts in accordance with Financial Accounting Standards in its SFAS No. 157 *Fair Value Measurements*.

Investments
Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. In accordance with the Financial Accounting Standards in its SFAS No. 124 (as amended by SFAS No. 157), *Accounting for Investments Held by Not-for-Profit Organizations*, the recorded amounts of all investments are adjusted annually to reflect current market values. Realized and unrealized gains and losses are included in investment income on the statement of activities and changes in net assets.

Chez Panisse has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that Chez Panisse could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of June 30, 2009. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented due to uncertain economic conditions.

Income Taxes
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Interpretation Number 48 (FIN 48), *Accounting for Uncertainty in Income Taxes.* Under FIN 48, Chez Panisse is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that the organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities.

Under Section 6033 of the Internal Revenue Code, and as clarified by Revenue Procedure 96-10 (Rev. Proc 96-10, 1996-1 C.B.), Chez Panisse is not required to file an annual information return on Form 990, Return of Organizations Exempt from Income Tax, because it is affiliated with a church or convention or association of churches and exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. This exemption is subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Chez Panisse may periodically receive unrelated business income requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, Chez Panisse calculates and accrues the applicable taxes payable.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Inventory
Museum Store inventory is carried at the lower of cost or market and consists mostly of printed materials.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted 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 support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Services and Costs
Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the years ended June 30, 2009 and 2008, Chez Panisse received discounted rent, complimentary services and various miscellaneous materials with a total estimated value of $27,142 and $13,529, respectively.

Net Assets
In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

Chez Panisse reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions. The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets. There were no permanently restricted net assets at June 30, 2009.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board. There were no Board-designated funds at June 30, 2009.

Notes to Financial Statements

3. Cash

Cash of $255,160 at June 30, 2009 consists of funds on deposit at a noninterest-bearing checking account with Bank of America. At June 30, 2009, deposits exceeded the federally insured limit of $250,000. Chez Panisse attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated.

4. Investments

Investments are maintained in accounts at Wachovia and consist of the following at June 30:

	2009		2008	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Cash sweep accounts	**$ 308,031**	**308,031**	285,888	285,888
Fixed income securities	**2,014,394**	**1,927,889**	1,936,668	1,910,734
Stocks	**102,714**	**98,303**	110,181	108,705
Mutual funds	**336,542**	**322,090**	357,206	352,423
Total investments	**$ 2,761,681**	**2,656,313**	2,689,943	2,657,750

Amounts maintained in cash sweep accounts earn interest at rates which vary throughout the year (0.04% as of June 30, 2009). Certain investments classified as fixed income securities include certificates of deposit which accrue interest at rates ranging from 0.75% to 4.25% per annum.

5. Grants and Pledges Receivable

Grants and pledges receivable of $88,939 at June 30, 2009 represent amounts due within one year. Pledges and grants receivable are recorded when the pledges and grants are made and reflect the estimated net realizable value. Management believes all amounts are fully collectible. Accordingly, no reserve for uncollectible amounts has been established.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2009	2008
Office and improvements	**$ 93,523**	91,330
Equipment	**51,888**	19,859
Edible Schoolyard	**30,212**	27,663
Subtotal	**175,623**	138,852
Accumulated depreciation	**(56,760)**	(44,647)
Property and equipment, net	**$ 118,863**	94,205

Depreciation expense amounted to $12,113 and $5,305 for the years ended June 30, 2009 and 2008, respectively.

Notes to Financial Statements

7. Deferred Revenue

Deferred revenue of $16,000 and $29,151 represent unearned fees at June 30, 2009 and 2008, respectively. Such amounts consist of funds received in advance of services which will be provided during the subsequent fiscal year. Such amounts have been reflected as short-term liabilities and will be recorded as earned income on the statements of activities and changes in net assets when the services are provided.

8. Net Assets

Net assets consist of the following at June 30:

		2009	2008
Unrestricted	$	**2,884,581**	2,541,882
Temporarily restricted:			
Affiliate program and tools development		**-**	90,659
Building and Schoolyard improvements		**-**	44,938
Edible Lunch Pilot		**14,358**	75,162
Edible Schoolyard Program		**-**	45,880
ESY Program		**-**	5,000
Lunch box development		**109,625**	226,759
School Lunch Initiative		**102,015**	436,104
Web communications		**3,244**	48,972
Others		**12,350**	36,909
Total temporarily restricted		**241,592**	1,010,383
Total net assets	$	**3,126,173**	3,552,265

Net assets released from restrictions amounted to $828,791 and $372,430 for the years ended June 30, 2009 and 2008, respectively. These amounts were transferred from temporarily restricted net assets to unrestricted net assets on the statements of activities and changes in net assets.

9. Occupancy

Chez Panisse leases its corporate office premises in Berkeley under a five-year operating lease agreement expiring in December 2013. Chez Panisse is responsible for its proportionate share of building, maintenance, and operating expenses. The lease requires a monthly rental payment of $2,331 as of June 30, 2009. Rent expense amounted to $25,847 and $23,305 for the years ended June 30, 2009 and 2008, respectively. Minimum future lease payments for the next five years for all operating leases with terms of one year or more are as follows at June 30, 2009:

Year Ending	Total
June 30, 2010	$ 27,972
June 30, 2011	27,972
June 30, 2012	27,972
June 30, 2013	27,972

Notes to Financial Statements

10. Commitments and Contingencies

Chez Panisse has a contractual arrangement with the Regents of the University of California wherein UC Berkeley performs research under a project titled "Center for Weight and Health School Lunch Initiative Evaluation Project." The four-year contract will be completed in January 31, 2010 and will require a final payment of $99,165 when the project is concluded.

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to fulfill grant requirements, which are not reflected in the financial statements. Management believes that such commitments or contingencies will not have a materially adverse effect on the financial statements. Certain of the grants and contracts are subject to audit and final acceptance by the granting agency. Current and future funding of such grants could be subject to adjustment upon audit.

11. Retirement Benefits

Chez Panisse offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). The Plan is administered by TIAA-CREF Financial Services and is subject to conditions of certain regulatory statutes. Employer contributions to the Plan amounted to $2,872 for the year ended June 30, 2009.

12. Reclassifications

Certain reclassifications among asset, net asset, revenue and expense accounts have been made to the 2008 financial statements in order to conform to the presentation used in 2009. The reclassifications did not alter the previously reported increase in net assets or change the previously reported total net asset balances.