

# Redwood Empire Food Bank

## Financial Statements and Supplementary Information

*For the Years Ended  
June 30, 2019 and 2018*



**PISENTI & BRINKER** LLP  
Certified Public Accountants & Advisors

An independently owned member  
RSM US Alliance



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## **Independent Auditor's Report**

To the Board of Directors  
Redwood Empire Food Bank  
Santa Rosa, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Redwood Empire Food Bank (a California not-for-profit public benefit corporation) (the "Food Bank"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independent Auditor's Report (continued)

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Empire Food Bank as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Food Bank's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the related notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the related notes are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019, on our consideration of the Food Bank's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and agreements. 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* in considering the Food Bank's internal control over financial reporting and compliance.



Santa Rosa, California  
November 8, 2019

**Redwood Empire Food Bank**  
**(A Nonprofit Corporation)**

**Statements of Financial Position**

<b>June 30,</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,757,320	\$ 4,720,444
Accounts receivable	405,564	294,349
Investments in negotiable certificates of deposit	1,932,787	246,102
Inventory	2,288,860	1,441,774
Prepaid expenses and other current assets	29,584	75,575
Total current assets	10,414,115	6,778,244
<b>Non-current assets</b>		
Property, equipment and improvements, net	11,206,329	11,076,829
Investments	5,968,077	6,968,454
Total non-current assets	17,174,406	18,045,283
Total assets	\$ 27,588,521	\$ 24,823,527
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 302,570	\$ 326,143
Accrued expenses	324,967	259,783
Total current liabilities	627,537	585,926
<b>Net assets</b>		
Without donor restrictions		
Undesignated	26,098,143	21,088,442
Board designated	31,500	31,500
Total unrestricted net assets	26,129,643	21,119,942
With donor restrictions	831,341	3,117,659
Total net assets	26,960,984	24,237,601
Total liabilities and net assets	\$ 27,588,521	\$ 24,823,527

See accompanying Notes to Financial Statements

**Redwood Empire Food Bank  
(A Nonprofit Corporation)**

**Statement of Activities**

**For the year ended June 30, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, gains, and other support:</b>			
Donated food	\$ 25,719,540	\$ -	\$ 25,719,540
Donations	7,452,450	203,386	7,655,836
Grants	1,522,659	-	1,522,659
Fundraising events	1,086,869	-	1,086,869
Sale of food and nonfood grocery items	1,038,693	-	1,038,693
Investment income, net	286,593	-	286,593
Shared maintenance	272,068	-	272,068
<b>Total revenues, gains, and other support</b>	<b>37,378,872</b>	<b>203,386</b>	<b>37,582,258</b>
Net assets released from purpose restrictions	2,489,704	(2,489,704)	-
<b>Total support and revenue</b>	<b>39,868,576</b>	<b>(2,286,318)</b>	<b>37,582,258</b>
<b>Expenses:</b>			
Program services	33,134,860	-	33,134,860
Fundraising	1,177,981	-	1,177,981
Management and general	546,034	-	546,034
<b>Total expenses</b>	<b>34,858,875</b>	<b>-</b>	<b>34,858,875</b>
<b>Change in net assets</b>	<b>5,009,701</b>	<b>(2,286,318)</b>	<b>2,723,383</b>
<b>Net assets at beginning of year</b>	<b>21,119,942</b>	<b>3,117,659</b>	<b>24,237,601</b>
<b>Net assets at end of year</b>	<b>\$ 26,129,643</b>	<b>\$ 831,341</b>	<b>\$ 26,960,984</b>

See accompanying Notes to Financial Statements

**Redwood Empire Food Bank  
(A Nonprofit Corporation)**

**Statement of Activities**

**For the year ended June 30, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, gains, and other support:</b>			
Donated food	\$ 25,060,803	\$ -	\$ 25,060,803
Donations	11,832,469	2,530,083	14,362,552
Grants	1,099,409	-	1,099,409
Sale of food and nonfood grocery items	1,010,121	-	1,010,121
Fundraising events	535,685	330,650	866,335
Shared maintenance	264,315	-	264,315
Investment income, net	71,166	-	71,166
Loss on disposal of equipment	(18,883)	-	(18,883)
<b>Total revenues, gains, and other support</b>	<b>39,855,085</b>	<b>2,860,733</b>	<b>42,715,818</b>
Net assets released from purpose restrictions	825,008	(825,008)	-
<b>Total support and revenue</b>	<b>40,680,093</b>	<b>2,035,725</b>	<b>42,715,818</b>
<b>Expenses:</b>			
Program services	31,827,816	-	31,827,816
Fundraising	1,226,572	-	1,226,572
Management and general	744,452	-	744,452
<b>Total expenses</b>	<b>33,798,840</b>	<b>-</b>	<b>33,798,840</b>
<b>Change in net assets</b>	<b>6,881,253</b>	<b>2,035,725</b>	<b>8,916,978</b>
<b>Net assets at beginning of year</b>	<b>14,238,689</b>	<b>1,081,934</b>	<b>15,320,623</b>
<b>Net assets at end of year</b>	<b>\$ 21,119,942</b>	<b>\$ 3,117,659</b>	<b>\$ 24,237,601</b>

See accompanying Notes to Financial Statements

**Redwood Empire Food Bank  
(A Nonprofit Corporation)**

**Statement of Functional Expenses**

**For the year ended June 30, 2019**

	Food Distribution & Hunger Relief	Fund- raising	Management & General	Total Expenses
Value of donated food distributed	\$ 25,081,591	\$ -	\$ -	\$ 25,081,591
Salaries, wages, and benefits	2,997,122	728,230	440,252	4,165,604
Value of purchased food distributed	3,794,878	-	-	3,794,878
Materials, services, and supplies	177,213	386,744	16,096	580,053
Food distribution expense	428,753	-	-	428,753
Depreciation	311,324	41,531	28,632	381,487
Occupancy expense	273,816	14,544	9,497	297,857
Insurance	58,258	5,209	13,193	76,660
Professional fees	-	-	34,425	34,425
Meetings and conferences	11,905	1,723	3,939	17,567
	\$ 33,134,860	\$ 1,177,981	\$ 546,034	\$ 34,858,875

See accompanying Notes to Financial Statements



**Redwood Empire Food Bank  
(A Nonprofit Corporation)**

**Statement of Functional Expenses**

**For the year ended June 30, 2018**

	Food Distribution & Hunger Relief	Fund- raising	Management & General	Total Expenses
Value of donated food distributed	\$ 24,889,765	\$ -	\$ -	\$ 24,889,765
Salaries, wages, and benefits	2,500,011	649,748	612,850	3,762,609
Value of purchased food distributed	3,177,495	-	-	3,177,495
Materials, services, and supplies	172,531	506,488	24,488	703,507
Depreciation	360,124	47,431	41,852	449,407
Food distribution expense	405,928	-	-	405,928
Occupancy expense	258,876	13,920	13,583	286,379
Insurance	47,980	7,409	12,972	68,361
Professional fees	-	-	36,900	36,900
Meetings and conferences	15,087	1,576	1,807	18,470
Bad debt	19	-	-	19
	<b>\$ 31,827,816</b>	<b>\$ 1,226,572</b>	<b>\$ 744,452</b>	<b>\$ 33,798,840</b>

See accompanying Notes to Financial Statements

**Redwood Empire Food Bank**  
**(A Nonprofit Corporation)**

**Statements of Cash Flows**

<b>For the Year Ended June 30,</b>	<b>2019</b>	<b>2018</b>
	<b>Increase (decrease) in cash and cash equivalents</b>	
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,723,383	\$ 8,916,978
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	381,487	449,407
In-kind contributions of donated food	(25,719,540)	(25,060,803)
Donated food distributed	25,081,591	24,889,765
Net realized and unrealized (gains) losses on investments	(127,943)	8,027
Loss on sale and disposal of equipment	-	18,883
Bad debt	-	19
Decrease (increase) in operating assets:		
Accounts receivable	(111,215)	18,029
Inventory	(209,137)	(3,583)
Prepaid expenses and other current assets	45,991	(36,879)
Increase (decrease) in operating liabilities:		
Accounts payable	(23,573)	84,067
Accrued expenses	65,184	27,754
Net cash provided by operating activities	2,106,228	9,311,664
<b>Cash flows from investing activities</b>		
Purchases of property, equipment and improvements	(510,987)	(398,189)
Net purchases of investments	(558,365)	(6,979,433)
Proceeds from the sale of equipment	-	28,675
Net cash used in investing activities	(1,069,352)	(7,348,947)
<b>Net increase in cash and cash equivalents</b>	<b>1,036,876</b>	<b>1,962,717</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>4,720,444</b>	<b>2,757,727</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 5,757,320</b>	<b>\$ 4,720,444</b>

See accompanying Notes to Financial Statements

**Note A. Nature of Activities and Summary of Significant Accounting Policies**

The Redwood Empire Food Bank (the “Food Bank”) is a California nonprofit public benefit corporation whose mission is to end hunger in the community. Established in 1987, the Food Bank is the largest hunger-relief organization in Sonoma County, and in the northern coast of California from Sonoma County to the Oregon border.

The Food Bank's program is as follows:

*Food Distribution and Hunger Relief Program* - The Food Bank acquires food and/or financial donations from a wide variety of sources including manufacturers, wholesalers, grocers, growers, government, individuals, foundations, corporations, and other nonprofit organizations. The Food Bank provides food to people in need through over 300 monthly direct service distributions, and is a major source of food for over 170 other hunger-relief organizations located primarily in Sonoma County, and also Lake, Mendocino, Humboldt, and Del Norte Counties. These partner organizations help defray a portion of the operating costs by contributing a “shared maintenance” fee to the Food Bank.

The Food Bank also obtains government assistance in the form of food commodities and reimbursements for distribution costs associated with the delivery of the food commodities.

The Food Bank also operates the Food Connection Market, which sells a variety of fresh produce, dairy, meat, deli, and grocery items at retail prices. The market is open to the public with a focus on shopper's who self-certify as low income.

*Basis of presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Food Bank and changes therein are classified and reported as follows:

*Without donor restrictions* – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

*With donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Food Bank to meet the stipulations or that become unrestricted at the date specified by the donor or net assets subject to donor-imposed stipulations that are maintained permanently by the Food Bank. The income from these assets is available for either general operations or specific programs as specified by the donor.

*Net assets released from restriction* – Net assets with donor restrictions are released to net assets without donor restrictions when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

**Note A. Nature of Activities and Summary of Significant Accounting Policies** (continued)

*Cash and cash equivalents*

Cash and cash equivalents include cash in banks and money market accounts. The Food Bank considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed which limits the investment's use to long-term. Cash is held in demand accounts at banks and cash balances may exceed the federally insured amounts during the year.

*Accounts receivable*

Accounts receivable represent funds due from affiliated agencies for shared maintenance costs, food purchase costs, and from governments for contracted food distribution services. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on past due accounts receivable balances. The Food Bank uses the allowance method to reserve for uncollectible accounts. Management periodically evaluates the allowance. At June 30, 2019 and 2018, management determined that no material allowance was necessary.

*Inventory*

Inventory consists of food and nonfood grocery items, both donated and purchased. Purchased food products are stated at the lower of cost (first-in, first-out method) or net realizable value, government commodities are carried in inventory at a cost figure provided by government agencies, and the value of donated food is determined according to a composite per-pound rate determined by a cost study performed by Feeding America, the nation's largest nongovernmental food distribution program. Donated food that was received during the years ended June 30, 2019 and 2018 was valued at \$1.57 and \$1.52 per pound, respectively.

*Investments*

Investments, which are comprised of negotiable certificates of deposit and exchange-traded funds, are carried at fair value. Unrealized gains and losses are included in the statements of activities. Investment earnings restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the earnings are recognized.

*Property, equipment, and improvements*

Property, equipment, and improvements are stated at cost. Depreciation is computed on the straight-line method over useful lives ranging from 3 to 40 years. Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as without donor restrictions 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 donor restricted.

**Note A. Nature of Activities and Summary of Significant Accounting Policies** (continued)

*Asset impairment*

The Food Bank routinely evaluates the carrying value of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted net cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment loss is recognized. No asset impairment charges were recorded during the years ended June 30, 2019 and 2018.

*Contributions*

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. The Food Bank reports gifts 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Donor restricted contributions whose donor-imposed restrictions are fulfilled or expire within the same reporting period are reported as contributions without donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current year or is received with permanent donor restrictions. Conditional promises are not recognized until all conditions on which they depend are substantially met.

The Food Bank is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions when received.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received. Many individuals volunteer their time and perform a variety of tasks that assist the Food Bank in support of its programs and fundraising activities; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. The Food Bank received over 103,000 volunteer hours during the years ended June 30, 2019 and 2018.

**Note A. Nature of Activities and Summary of Significant Accounting Policies** (continued)

*Revenue recognition*

The Food Bank sells purchased food to partner organizations and low income individuals through the Food Connections Market. Through the Community Marketplace, partner organizations acquire purchased items at a cost plus markup and donated items for a shared maintenance fee to defray a portion of the operating expenses. Revenue from purchased food sales and the shared maintenance fee is recognized at the time of the transfer of food.

Revenue from government agency contracts is recognized when the related service has been provided.

*Advertising and promotion costs*

Advertising costs are expensed when incurred. Advertising costs amounted to \$36,245 and \$67,693 for the years ended June 30, 2019 and 2018, respectively.

*Functional expense allocation*

The costs of providing program services have been summarized on a functional basis in the statements of functional expenses. Expenses, such as depreciation, have been allocated among the program and supporting services based on usage and management estimates.

*Income taxes*

The Food Bank is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Food Bank is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. No income tax provision has been recorded for the years ended June 30, 2019 and 2018, as management determined that the Food Bank had no unrelated business income.

The Food Bank determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2019, the Food Bank has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Food Bank's open tax years subject to review are for 3 years after the date of filing for federal and 4 years after the date of filing for California. The Food Bank is not classified as a private foundation.

**Note A. Nature of Activities and Summary of Significant Accounting Policies** (continued)

*Use of estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support, and expenses. The use of management's estimates primarily relate to the value of non-purchased food, the collectability of accounts receivable, and depreciable lives of property, equipment, and improvements. Actual results could differ from those estimates.

*Adoption of new accounting pronouncement*

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under this new ASU, the existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) is replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Differences in the nature of donor restrictions are disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds ("underwater endowments") and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been clarified. New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities are required to disclose (on the face of the statement or in notes) the extent to which the balance sheet comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use. This ASU is effective for fiscal years beginning after December 15, 2017, with early application permitted. Management has adopted this update for the years ended June 30, 2019 and 2018. The financial statements for the year ended June 30, 2018 have been retrospectively adjusted to adopt the new accounting pronouncement.

*Recent accounting pronouncement*

In June 2018, the Financial Accounting Standards Board issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which distinguishes the difference between contributions and exchange transactions. Under this ASU, an entity will need to evaluate whether the transaction should be accounted for as a contribution (nonreciprocal transaction) which occurs when the resource provider is not itself receiving commensurate value for the resources provided or as an exchange (reciprocal) transaction which occurs when the resource provider is receiving commensurate value in return for the resources transferred. A determination will also need to be made on whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

**Note A. Nature of Activities and Summary of Significant Accounting Policies** (continued)

*Recent accounting pronouncement* (continued)

This ASU is effective for fiscal years beginning after December 15, 2019, with early application permitted. This ASU should not be applied on a retrospective basis. The Food Bank is evaluating the impact of this standard on the financial statements.

*Reclassification of Prior Year Amounts*

Certain prior year amounts have been reclassified for consistency with the current year presentation. This reclassification had no effect on prior year net assets.

**Note B. Liquidity**

Financial assets are considered unavailable due to donor-imposed restrictions or the governing board has set aside funds for internal designations. Amounts available include donor-restricted amounts that will meet purpose or time restriction within the next twelve months from the statement of position date. Other contributions receivable are subject to implied time restrictions but are expected to be collected within one year. The Food Bank operates with a balanced budget and anticipates covering its general expenditures with existing working capital and by maintaining and expanding existing programs and relationships with funders who have provided donations without restrictions and are willing to provide multi-year grants.

The following reflects the Food Bank's financial assets reduced by amounts not available for general use within one year.

As of June 30,	2019	2018
Cash and cash equivalents	\$ 5,757,320	\$ 4,720,444
Accounts receivable	405,564	294,349
Negotiable certificates of deposit	1,932,787	246,102
	8,095,671	5,260,895
Less funds unavailable for general expenditure within one year due to:		
Donor imposed purpose restrictions	(831,341)	(3,117,659)
Funds available to meet expenditures within one year	\$ 7,264,330	\$ 2,143,236



**Redwood Empire Food Bank**  
**(A Nonprofit Corporation)**

**Notes to Financial Statements**

**Years Ended June 30, 2019 and 2018**

**Note C. Inventory**

Inventory consists of the following:

As of June 30,	2019	2018
Government commodities	\$ 1,058,734	\$ 463,076
Donated food	812,640	683,854
Purchased food and nonfood grocery items	417,486	294,844
	<u>\$ 2,288,860</u>	<u>\$ 1,441,774</u>

**Note D. Investments**

Investments stated at fair value consist of the following:

As of June 30,	2019	2018
Exchange-traded funds	\$ 33,431	\$ 31,670
Negotiable certificates of deposit	7,867,433	7,182,886
	7,900,864	7,214,556
Less negotiable certificates of deposits maturing in subsequent year	(1,932,787)	(246,102)
Investments	<u>\$ 5,968,077</u>	<u>\$ 6,968,454</u>

The following schedule summarizes the investment return and its classification in the statements of activities:

For the years ended June 30,	2019	2018
Interest and dividends	\$ 158,650	\$ 79,193
Net realized gains	61,544	100
Net unrealized gains (losses)	66,651	(7,875)
Investment expenses	(252)	(252)
Total investment return	<u>\$ 286,593</u>	<u>\$ 71,166</u>

**Note E. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability ("exit price") in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires the Food Bank to maximize the use of observable inputs and minimize the use of unobservable inputs to determine the exit price.

The Food Bank categorizes its financial instruments, based on the priority of inputs to the valuation technique, into a three-level hierarchy, as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"> <li>• quoted prices for similar assets or liabilities in active markets;</li> <li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• inputs other than quoted prices that are observable for the asset or liability;</li> <li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Food Bank's investments:

	Level 1	Level 2	Level 3	Total
Exchange-traded funds	\$ 33,431	\$ -	\$ -	\$ 33,431
Negotiable certificates of deposit	-	7,867,433	-	7,867,433
<b>Investments at fair value</b>	<b>\$ 33,431</b>	<b>\$ 7,867,433</b>	<b>\$ -</b>	<b>\$ 7,900,864</b>

**Note F. Property, Equipment and Improvements**

Property, equipment, and improvements consist of the following:

As of June 30,	2019	2018
Land	\$ 1,670,000	\$ 1,670,000
Buildings and improvements	9,245,234	9,230,434
Equipment and fixtures	1,840,149	1,547,426
Motor vehicles	1,263,855	1,060,393
	14,019,238	13,508,253
Accumulated depreciation	(2,812,909)	(2,431,424)
	\$ 11,206,329	\$ 11,076,829

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$381,487 and \$449,407, respectively.

**Note G. Net Asset Classifications**

All general operating revenues and expenses related to the program activities of the Food Bank are included in the change in net assets with donor restrictions. From time to time donations received without donor restrictions are designated by the Food Bank's board of directors as board designated funds. The board designated funds consist of funds with no donor or legal restrictions, but through board resolutions have been set aside for specific purposes. Net assets consist of the following:

As of June 30,	2019	2018
With donor restrictions:		
Purpose restricted:		
Fire relief	\$ 331,983	\$ 2,159,082
Specific purchases	320,075	577,130
Specific programs	179,283	358,452
Capital campaign	-	22,995
Total net assets with donor restrictions	831,341	3,117,659
Without donor restrictions:		
Designated by the Board	31,862	31,500
Undesignated	26,097,781	21,088,442
Total net assets without donor restrictions	26,129,643	21,119,942
Net assets	\$ 26,960,984	\$ 24,237,601

**Note H. Concentrations**

During the years ended June 30, 2019 and 2018, the Food Bank received a substantial portion of its revenue from federal and state governmental sources. Any interruption of these funding sources could result in a significant impact on the Food Bank's operations.

At various times during the year ended June 30, 2019 and 2018, the Food Bank had deposit amounts with financial institutions in excess of the \$250,000 FDIC insurance limit. At June 30, 2019, the Food Bank had approximately \$554,000 on deposit in excess of the FDIC insured amount. At June 30, 2018, the Food Bank had approximately \$407,000 on deposit in excess of the FDIC insured amount.

**Note I. Retirement Plan**

The Food Bank maintains a Simple IRA deferred compensation retirement plan which is available to eligible employees having completed one month of service. The Food Bank's plan calls for matching contributions up to 3% of a participant's compensation. Matching contributions were \$65,138 and \$66,316 for the years ended June 30, 2019 and 2018, respectively.

**Note J. Subsequent Events**

The Food Bank evaluated subsequent events through November 8, 2019, the date which the financial statements were available to be issued.

## **Supplementary Information**

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor / Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>Department of Agriculture Programs</b>				
<b>Food Distribution Cluster</b>				
Food and Nutrition Service				
California Department of Education- Commodity Supplemental Food Program - Administration	10.565	000000V496-00	\$ 61,179	\$ 285,503
California Department of Education- Commodity Supplemental Food Program - Food Commodities	10.565	000000V496-00	509,054	928,225
Subtotal Commodity Supplemental Food Program			570,233	1,213,728
California Department of Social Services- Emergency Food Assistance Program - Administration	10.568	692320-00	-	228,300
California Department of Social Services- Emergency Food Assistance Program - Food Commodities	10.569	692320-00	-	2,147,270
Subtotal Emergency Food Assistance Program			-	2,375,570
Total Food Distribution Cluster			570,233	3,589,298
<b>Child Nutrition Cluster</b>				
California Department of Education- Summer Food Service Program for Children - Summer Lunch	10.559	04087-V496-00	-	159,185
Total Child Nutrition Cluster			-	159,185
California Department of Education- Child and Adult Care Food Program	10.558	04087-V496-00	-	592,195
Subtotal Child and Adult Care Food Program			-	592,195
Total Department of Agriculture			570,233	4,340,678
<b>Department of Homeland Security Programs</b>				
Sonoma County Task Force for the Homeless- Emergency Food and Shelter National Board Program	97.024	090800-005	-	152,476
<b>Total expenditures of federal awards</b>			\$ 570,233	\$ 4,493,154

**Note A. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of Redwood Empire Food Bank (the "Food Bank") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank.

**Note B. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C. Catalog of Federal Domestic Assistance (CFDA) Numbers**

The CFDA numbers included in the accompanying Schedule of Expenditures of Federal Awards (SEFA) were determined based on the program name, review of grant contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

**Note D. Food Distribution**

The amounts reported for "Food Commodities" programs represent the dollar value of the U.S. Department of Agriculture (USDA) food commodities distributed to the Food Bank during the year. The USDA and other distributors provide the current value of the commodities to compute the amounts reported.

**Note E. Indirect Cost Rate**

The Food Bank did not elect to use the 10 percent de minimis indirect cost rate.

## **Compliance**





**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***

**Independent Auditor's Report**

To the Board of Directors  
Redwood Empire Food Bank  
Santa Rosa, California

We have audited, 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, the financial statements of Redwood Empire Food Bank (the "Food Bank") which comprise of the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated November 8, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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* (continued)**

**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 and grant agreements, 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Perenti & Brinku LLP*

Santa Rosa, California  
November 8, 2019



## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Grant Guidance**

### **Independent Auditor's Report**

To the Board of Directors  
Redwood Empire Food Bank  
Santa Rosa, California

### **Report on Compliance for Each Major Federal Program**

We have audited the Redwood Empire Food Bank's (the "Food Bank") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended June 30, 2019. 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.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Grant Guidance 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 on compliance for the major federal programs. However, our audit does not provide a legal determination of the Food Bank's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Grant Guidance (continued)**

**Report on Internal Control Over Compliance**

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Grant Guidance, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Grant Guidance. Accordingly, this report is not suitable for any other purpose.

*Pesenti & Brink LLP*

Santa Rosa, California  
November 8, 2019

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

**I. Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued as to whether the financial statements audited were prepared in accordance with general accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No  
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major programs:

Material weaknesses identified? No  
 Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

CDFA Number (s)	Name of Federal Program or Cluster
	Food Distribution Cluster
	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B program: \$750,000

Auditee qualified as low-risk auditee? Yes

Schedule of Findings and Questioned Costs (continued)

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Year Ended June 30, 2019

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**II. Financial Statement Findings**

*No matters are reportable*

**III. Federal Award Findings and Questioned Costs**

*No matters are reportable*

**No matters were reported in the prior year.**