

Redwood Empire Food Bank

Financial Statements and Supplementary Information

*For the Years Ended
June 30, 2017 and 2016*



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, 2017 and 2016, 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, 2017 and 2016, 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. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The 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 information 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 14, 2017, 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.

PricewaterhouseCoopers LLP

Petaluma, California
November 14, 2017

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statements of Financial Position

June 30,	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 2,757,727	\$ 3,307,505
Accounts receivable	312,397	215,464
Certificate of deposit	243,150	-
Inventory	1,267,153	1,720,045
Prepaid expenses and other current assets	38,696	65,998
Total current assets	4,619,123	5,309,012
Non-current assets		
Property, equipment and improvements, net	11,175,605	11,196,064
Pledges receivable	-	18,521
Total non-current assets	11,175,605	11,214,585
Total assets	\$ 15,794,728	\$ 16,523,597
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 242,076	\$ 319,702
Accrued expenses	232,029	193,105
Total current liabilities	474,105	512,807
Net assets		
Unrestricted		
Undesignated	14,207,189	15,109,529
Board designated	31,500	30,500
Total unrestricted net assets	14,238,689	15,140,029
Temporarily restricted	1,081,934	870,761
Total net assets	15,320,623	16,010,790
Total liabilities and net assets	\$ 15,794,728	\$ 16,523,597

See accompanying Notes to Financial Statements

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

Statement of Activities

For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Donated food	\$ 23,199,720	\$ -	\$ 23,199,720
Donations	4,134,943	556,161	4,691,104
Grants	1,143,504	-	1,143,504
Sale of food and nonfood grocery items	929,639	-	929,639
Fundraising events	403,411	366,750	770,161
Shared maintenance	291,645	-	291,645
Investment income	2,262	-	2,262
Loss on disposal of equipment	(2,241)	-	(2,241)
 Total revenues, gains, and other support	 30,102,883	 922,911	 31,025,794
Net assets released from restriction	711,738	(711,738)	-
 Total support and revenue	 30,814,621	 211,173	 31,025,794
Expenses:			
Program services	30,094,782	-	30,094,782
Fundraising	907,077	-	907,077
Management and general	714,102	-	714,102
 Total expenses	 31,715,961	 -	 31,715,961
 Change in net assets	 (901,340)	 211,173	 (690,167)
Net assets at beginning of year	15,140,029	870,761	16,010,790
Net assets at end of year	\$ 14,238,689	\$ 1,081,934	\$ 15,320,623

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Activities

For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Donated food	\$ 22,485,631	\$ -	\$ 22,485,631
Donations	3,693,001	379,080	4,072,081
Grants	1,066,124	-	1,066,124
Sale of food and nonfood grocery items	1,014,250	-	1,014,250
Fundraising events	514,779	200,000	714,779
Shared maintenance	305,562	-	305,562
Gain on sale of equipment	11,000	-	11,000
Investment income	1,590	-	1,590
 Total revenues, gains, and other support	 29,091,937	 579,080	 29,671,017
Net assets released from restriction	910,272	(910,272)	-
 Total support and revenue	 30,002,209	 (331,192)	 29,671,017
Expenses:			
Program services	29,016,731	-	29,016,731
Fundraising	770,318	-	770,318
Management and general	400,097	-	400,097
 Total expenses	 30,187,146	 -	 30,187,146
 Change in net assets	 (184,937)	 (331,192)	 (516,129)
 Net assets at beginning of year	 15,324,966	 1,201,953	 16,526,919
 Net assets at end of year	 \$ 15,140,029	 \$ 870,761	 \$ 16,010,790

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Functional Expenses

For the year ended June 30, 2017

	Program Services	Fund- raising	Management & General	Total Expenses
Value of donated food distributed	\$ 23,500,246	\$ -	\$ -	\$ 23,500,246
Salaries, wages, and benefits	2,406,901	491,769	543,779	3,442,449
Value of purchased food distributed	3,158,597	-	-	3,158,597
Materials, services, and supplies	175,303	342,326	29,556	547,185
Depreciation	315,808	36,253	67,081	419,142
Food distribution expense	262,416	-	2,369	264,785
Occupancy expense	227,588	11,678	23,850	263,116
Insurance	43,455	6,711	11,665	61,831
Professional fees	-	-	34,224	34,224
Bad debt	-	18,000	-	18,000
Meetings and conferences	4,468	340	1,578	6,386
	\$ 30,094,782	\$ 907,077	\$ 714,102	\$ 31,715,961

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Functional Expenses

For the year ended June 30, 2016

	Program Services	Fund- raising	Management & General	Total Expenses
Value of donated food distributed	\$ 22,188,967	\$ -	\$ -	\$ 22,188,967
Salaries, wages, and benefits	2,618,004	357,082	286,518	3,261,604
Value of purchased food distributed	3,204,627	-	-	3,204,627
Materials, services, and supplies	216,447	337,893	20,070	574,410
Depreciation	305,295	43,099	34,783	383,177
Occupancy expense	220,580	17,348	15,284	253,212
Food distribution expense	214,937	-	-	214,937
Insurance	44,493	4,234	11,077	59,804
Professional fees	1,130	8,426	30,918	40,474
Meetings and conferences	2,251	2,236	1,447	5,934
	\$ 29,016,731	\$ 770,318	\$ 400,097	\$ 30,187,146

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statements of Cash Flows

For the Year Ended June 30,	2017	2016
	Increase (decrease) in cash and cash equivalents	
Cash flows from operating activities		
Change in net assets	\$ (690,167)	\$ (516,129)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	419,142	383,177
(Gain) loss on sale and disposal of equipment	2,241	(11,000)
Contributions restricted for long-term purpose	-	(105,000)
Bad debt	18,000	-
Decrease (increase) in operating assets:		
Accounts receivable	(96,933)	196,068
Inventory	452,892	(300,069)
Prepaid expenses and other current assets	27,302	(30,095)
Increase (decrease) in operating liabilities:		
Accounts payable	(77,626)	(88,909)
Accrued expenses	38,924	(86,412)
Net cash provided by (used in) operating activities	93,775	(558,369)
Cash flows from investing activities		
Purchases of property, equipment and improvements	(400,924)	(341,744)
Purchase of certificate of deposit	(243,150)	-
Proceeds from the sale of equipment	-	11,000
Net cash used in investing activities	(644,074)	(330,744)
Cash flows from financing activities		
Contributions restricted for long-term purpose	521	205,111
Net decrease in cash and cash equivalents	(549,778)	(684,002)
Cash and cash equivalents at beginning of year	3,307,505	3,991,507
Cash and cash equivalents at end of year	\$ 2,757,727	\$ 3,307,505

See accompanying Notes to Financial Statements

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

The Redwood Empire Food Bank ("Food Bank") is a California non-profit 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 north coastal 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 200 monthly direct service distributions, and is a major source of food for over 175 other hunger-relief organizations located primarily in Sonoma County, and also in 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 Value Market, which sells a variety of fresh produce, dairy, meat, deli, and grocery items at retail prices. Individuals must be income eligible or participate in a government assistance program to qualify to shop at the Value Market.

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:

Unrestricted - unconditional promises to give by donors without any use or time restrictions. Unrestricted net assets include board-designated balances, which are resources set aside by the Board of Directors for an indeterminate period. Because a board designated balance results from an internal designation, it can be spent upon action of the Board of Directors.

Temporarily restricted - unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

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

Basis of presentation (continued)

Permanently restricted - unconditional promises to give by donors that specify that the assets donated be maintained to provide a permanent source of income. The Food Bank has no permanently restricted net assets.

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. 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. At June 30, 2017 and 2016, management determined that no material allowance was necessary.

Pledges receivable

Pledges receivable consists of unconditional promises to give. The Food Bank uses the allowance method to determine uncollectible pledges receivable. The allowance for uncollectible pledges is based on management's assessment of the collectability of specific donor pledges, historical experience, and other currently available evidence.

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 market, 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 2017 and 2016 was valued at \$1.67 and \$1.70 per pound, respectively.

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 unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily 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, 2017 and 2016.

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. 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 temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current year or is received with permanent 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 receivable when the will is determined to be valid and the Food Bank has an irrevocable right to the bequest.

Contributed services are recognized when the Food Bank would typically purchase such services if they require specialized skills and the contributor possesses such skills. Many individuals volunteer their time and perform a variety of tasks that assist the Food Bank in the performance of its mission; however, these services do not meet the criteria for recognition as contributed services. The Food Bank received over 90,190 and 90,000 volunteer hours during the years ended June 30, 2017 and 2016, respectively.

Revenue recognition

The Food Bank sells purchased food to partner agencies and income eligible individuals through the Value Market. In instances where food is distributed to individuals through other agencies free of charge, the Food Bank charges the agencies a shared maintenance fee to defray a portion of the costs of storing and delivering the food. 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.

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

Advertising and promotion costs

Advertising costs are charged to operations when incurred. Advertising costs amounted to \$22,782 and \$20,878 for the years ended June 30, 2017 and 2016, respectively.

Functional expense allocation

The costs of providing program services have been summarized on a functional basis in the statements of activities. 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, 2017 and 2016, 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, 2017, 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 2012-2015 for state and 2013-2015 for federal. The Food Bank is not classified as a private foundation.

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 pledges receivable and accounts receivable, and depreciable lives of property, equipment, and improvements. Actual results could differ from those estimates.

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

Recent 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) will be 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 will be 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 will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities will be 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. This ASU should be applied on a retrospective basis in the year that the ASU is first applied. The Food Bank is evaluating the impact of this standard on the financial statements.

Note B. Pledges Receivable

All pledges receivable are restricted for a long-term purpose and are classified as a non-current asset on the statements of financial position. Pledge receivables were \$0 and \$18,521 for the years ended June 30, 2017 and 2016.

Note C. Inventory

Inventory consists of the following:

As of June 30,	2017	2016
Donated food	\$ 584,716	\$ 800,885
Government commodities	417,570	630,850
Purchased food and nonfood grocery items	264,867	288,310
	\$ 1,267,153	\$ 1,720,045

Redwood Empire Food Bank
(A Nonprofit Corporation)

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

Note D. Property, Equipment and Improvements

Property, equipment, and improvements consist of the following:

As of June 30,	2017	2016
Land	\$ 1,670,000	\$ 1,670,000
Buildings and improvements	9,195,671	9,162,089
Equipment and fixtures	1,390,371	1,242,450
Motor vehicles	1,006,293	813,876
	13,262,335	12,888,415
Accumulated depreciation	(2,086,730)	(1,692,351)
	\$ 11,175,605	\$ 11,196,064

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$419,142 and \$383,177, respectively.

Note E. Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized by the following restriction categories:

As of June 30,	2017	2016
Specific purchases	\$ 596,621	\$ 424,756
Specific programs	462,318	270,842
Capital campaign	22,995	175,163
	\$ 1,081,934	\$ 870,761

Note F. Concentrations

During the years ended June 30, 2017 and 2016, 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, 2017, the Food Bank had deposit amounts with financial institutions in excess of the \$250,000 FDIC insurance limit. At June 30, 2017, the Food Bank had approximately \$773,000 on deposit in excess of the FDIC insured amount. At June 30, 2016, the Food Bank had approximately \$86,000 on deposit in excess of the FDIC insured amount.

Note G. 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 \$56,372 and \$55,688 for the years ended June 30, 2017 and 2016, respectively.

Note H. Related Party Transactions

The Food Bank purchased inventory amounting to \$4,898 from a company owned by a board member during the year ended June 30, 2016. No related party purchases occurred for the fiscal year ended June 30, 2017.

Note I. Subsequent Events

The Food Bank evaluated subsequent events through November 14, 2017, the date which the financial statements were available to be issued.

Supplementary Information

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor / Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Agriculture Programs				
Food Distribution Cluster				
Food and Nutrition Service				
California Department of Education- Commodity Supplemental				
Food Program - Administration	10.565	000000V496-00	\$ 47,387	\$ 242,944
California Department of Education- Commodity Supplemental				
Food Program - Food Commodities	10.565	000000V496-00	202,243	917,045
Subtotal Commodity Supplemental Food Program			249,630	1,159,989
California Department of Social Services- Emergency Food				
Assistance Program - Administration	10.568	692320-00	-	119,164
California Department of Social Services- Emergency Food				
Assistance Program - Food Commodities	10.569	692320-00	-	691,718
Subtotal Emergency Food Assistance Program			-	810,882
Total Food Distribution Cluster			249,630	1,970,871
California Department of Education- Summer Food Service				
Program for Children - Summer Lunch	10.559	04087-V496-00	-	136,651
Subtotal Summer Food Service Program			-	136,651
California Department of Education- Child and Adult Care				
Food Program - Snacks for Kids	10.558	04087-V496-00	-	12,037
California Department of Education- Child and Adult Care				
Food Program	10.558	04087-V496-00	-	448,958
Subtotal Child and Adult Care Food Program			-	460,995
Total Department of Agriculture			249,630	2,568,517
Department of Homeland Security Programs				
Sonoma County Task Force for the Homeless-				
Emergency Food and Shelter National Board Program	97.204	090800-005	-	7,600
Total Department of Homeland Security			-	7,600
Total expenditures of federal awards			\$ 249,630	\$ 2,576,117

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the programs of the federal government for the year ended June 30, 2017. 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 Redwood Empire Food Bank (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 amount 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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the notes to the financials statements, and have issued our report thereon dated November 14, 2017.

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.

We noted certain matters that we reported to management of the Food Bank in a separate letter dated November 14, 2017.

Pisenti & Brinker LLP

Petaluma, California
November 14, 2017



**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 the Food Bank's major federal programs for the year ended June 30, 2017. 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 its major federal programs for the year ended June 30, 2017.

**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 the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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.

Pisenti & Brinker LLP

Petaluma, California
November 14, 2017

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

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

10.558

Child & Adult Care Food Program

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)

Year Ended June 30, 2017

II. Financial Statement Findings

No matters are reportable

III. Federal Award Findings and Questioned Costs

No matters are reportable

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2017

No matters were reported in the prior year.