

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

Financial Statements

Years Ended June 30, 2013 and 2012

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



Independent Auditors' 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 Nonprofit Corporation) (the "Organization"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, 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 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report (continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of Redwood Empire Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Redwood Empire Food Bank's internal control over financial reporting and compliance.



Petaluma, California
January 13, 2014

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

Statements of Financial Position

June 30,	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 1,359,961	\$ 1,288,736
Certificates of deposit	-	441,426
Accounts receivable	448,245	361,914
Pledges receivable, current portion	583,192	639,642
Food inventory	1,107,117	1,032,055
Other current assets	41,266	62,867
Total current assets	3,539,781	3,826,640
Property, equipment and improvements, net	11,015,351	6,564,092
Pledges receivable, less current portion	358,962	780,931
Restricted cash for capital campaign	289,443	1,577,730
Other assets	2,975	3,890
	\$ 15,206,512	\$ 12,753,283
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 290,896	\$ 290,461
Accrued expenses	122,945	117,748
Current portion of long-term debt	66,241	63,184
Total current liabilities	480,082	471,393
Long-term debt, less current portion	734,362	800,613
Total liabilities	1,214,444	1,272,006
Net assets		
Unrestricted	12,507,682	8,163,756
Temporarily restricted	1,484,386	3,317,521
Total net assets	13,992,068	11,481,277
	\$ 15,206,512	\$ 12,753,283

See accompanying Notes to Financial Statements

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

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Shared maintenance	\$ 992,775	\$ -	\$ 992,775
Grants	1,487,877	-	1,487,877
Donations	5,034,067	107,627	5,141,694
Fundraising events	416,090	-	416,090
Donated food	18,453,151	-	18,453,151
Sale of property & equipment	344,203	-	344,203
Investment income	2,504	-	2,504
Total support and revenue	26,730,667	107,627	26,838,294
Net assets released from restrictions	1,940,762	(1,940,762)	-
Total support, revenue and net assets released from restrictions	28,671,429	(1,833,135)	26,838,294
Expenses			
Program services	23,512,563	-	23,512,563
Fundraising	628,668	-	628,668
Management and general	186,272	-	186,272
Total expenses	24,327,503	-	24,327,503
Increase in net assets	4,343,926	(1,833,135)	2,510,791
Net assets, beginning of year	8,163,756	3,317,521	11,481,277
Net assets, end of year	\$ 12,507,682	\$ 1,484,386	\$ 13,992,068

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Shared maintenance	\$ 992,947	\$ -	\$ 992,947
Grants	1,001,362	-	1,001,362
Donations	7,656,329	1,052,641	8,708,970
Fundraising events	297,156	-	297,156
Donated food	17,168,462	-	17,168,462
Investment income	4,599	-	4,599
Total support and revenue	27,120,855	1,052,641	28,173,496
Net assets released from restrictions	106,114	(106,114)	-
Total support, revenue and net assets released from restrictions	27,226,969	946,527	28,173,496
Expenses			
Program services	21,980,180	-	21,980,180
Fundraising	610,367	-	610,367
Management and general	143,752	-	143,752
Total expenses	22,734,299	-	22,734,299
Increase in net assets	4,492,670	946,527	5,439,197
Net assets, beginning of year	3,671,086	2,370,994	6,042,080
Net assets, end of year	\$ 8,163,756	\$ 3,317,521	\$ 11,481,277

See accompanying Notes to Financial Statements

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

Statement of Functional Expenses

Year Ended June 30, 2013

	Program Services	Fund- raising	Management & General	Total Expenses
Food distributed	\$ 18,232,699	\$ -	\$ -	\$ 18,232,699
Salaries and wages	1,478,351	243,772	109,831	1,831,954
Food purchased	1,670,996	-	-	1,670,996
Food handling costs	926,674	-	-	926,674
Employee benefits and payroll taxes	311,775	51,723	23,191	386,689
Occupancy expenses	181,470	31,492	15,916	228,878
Public relations and marketing	55,484	162,051	228	217,763
Office expenses	148,809	26,546	13,039	188,394
Other expenses	89,995	6,128	3,015	99,138
Depreciation	117,800	18,108	8,838	144,746
Professional fees	93,390	34,683	6,867	134,940
Auto and truck expenses	131,588	-	-	131,588
Insurance	61,056	9,538	4,456	75,050
Fundraising events	-	42,967	-	42,967
Interest	8,109	969	569	9,647
Meetings and conferences	4,367	691	322	5,380
	\$ 23,512,563	\$ 628,668	\$ 186,272	\$ 24,327,503

See accompanying Notes to Financial Statements

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

Statement of Functional Expenses

Year Ended June 30, 2012

	Program Services	Fund- raising	Management & General	Total Expenses
Food distributed	\$ 17,229,115	\$ -	\$ -	\$ 17,229,115
Salaries and wages	1,358,294	187,379	94,043	1,639,716
Food purchased	1,480,005	-	-	1,480,005
Food handling costs	859,913	-	-	859,913
Employee benefits and payroll taxes	299,096	41,261	20,708	361,065
Public relations and marketing	63,114	159,345	189	222,648
Professional fees	67,903	132,215	2,743	202,861
Office expenses	139,483	17,106	8,585	165,174
Depreciation	122,816	12,220	6,132	141,168
Occupancy expenses	121,579	12,096	6,071	139,746
Auto and truck expenses	121,876	-	-	121,876
Insurance	59,400	6,878	3,452	69,730
Other expenses	51,113	2,751	1,381	55,245
Fundraising events	-	38,223	-	38,223
Meetings and conferences	6,473	893	448	7,814
	\$ 21,980,180	\$ 610,367	\$ 143,752	\$ 22,734,299

See accompanying Notes to Financial Statements

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

Statements of Cash Flows

Year Ended June 30,	2013	2012
Cash flows from operating activities		
Increase in net assets	\$ 2,510,791	\$ 5,439,197
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	144,746	141,168
Gain on sale of property, equipment, and improvements	(339,412)	-
Contributions and pledges restricted for capital campaign & equipment	(1,473,895)	(5,163,985)
Changes in assets and liabilities affecting operating activities:		
Decrease (increase) in assets:		
Accounts receivable	(86,331)	(15,182)
Food inventory	(75,062)	19,605
Other assets	22,516	(11,152)
Increase (decrease) in liabilities:		
Accounts payable	435	59,262
Accrued expenses	5,197	(2,274)
Net cash provided by operating activities	708,985	466,639
Cash flows from investing activities		
Purchases of property and equipment	(5,463,738)	(5,329,512)
Net proceeds from sale of assets	1,207,145	-
Investments (redemptions) of certificates of deposit, net	441,426	(3,098)
Investment in assets restricted for capital purchases, net	1,288,287	(95,083)
Net cash used by investing activities	(2,526,880)	(5,427,693)
Cash flows from financing activities		
Proceeds from note payable	-	1,500,000
Payments on note payable	(63,194)	(636,203)
Contributions restricted for capital campaign & equipment	1,952,314	4,461,940
Net cash provided by financing activities	1,889,120	5,325,737
Net increase in cash and cash equivalents	71,225	364,683
Cash and cash equivalents, beginning of year	1,288,736	924,053
Cash and cash equivalents, end of year	\$ 1,359,961	\$ 1,288,736
Supplemental disclosure of cash flow information		
Noncash investing and financing activities		
Application of deposit to building purchase	\$ -	\$ 75,000

See accompanying Notes to Financial Statements

Note A. Summary of Activities and Significant Accounting Policies

Redwood Empire Food Bank (the “Food Bank”) is a California nonprofit public benefit corporation whose mission is to end hunger in the community. Founded in 1987, the Food Bank has become Sonoma County’s largest hunger-relief organization. The Food Bank solicits donations from a wide variety of sources, including manufacturers, wholesalers, grocers, growers, governments, individuals and other nonprofit organizations. The Food Bank acquires food and distributes it through a network of charitable agencies and the Food Bank’s own food assistance programs. The Food Bank also provides food to member nonprofit organizations engaged in providing food to the needy of Lake, Mendocino, Humboldt, and Del Norte Counties. The member organizations help defray part of the operating costs by contributing a “shared maintenance” fee to the Food Bank.

In addition to operating its shared maintenance program, 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. Revenue from government agency contracts is recognized when the related service has been provided.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to make a gift to the Food Bank that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets represent assets that must be permanently maintained in accordance with the stated wishes of the donor. The Food Bank does not currently have any permanently restricted net assets.

Contributed services are recognized when the Food Bank would typically purchase such services if they require specialized skills and the contributor possesses such skills. Contributions recognized under these circumstances for 2013 and 2012 approximated \$35 and \$10,000, respectively. 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 70,000 volunteer hours during each of the fiscal years.

Cash and cash equivalents

Cash and cash equivalents include cash in banks, money market accounts and investments with original maturity dates of 90 days or less. Cash balances may exceed the federally insured amounts during the year. At June 30, 2013, the Food Bank had approximately \$1,050,000 on deposit in excess of FDIC.

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

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.

Accounts receivable

Accounts receivable represent funds due from affiliated agencies for shared maintenance costs and from governments for contracted food distribution services. As of June 30, 2013 and 2012, management estimates that no reserve for losses on accounts receivable is necessary. 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.

Food inventory

Food inventory consists of food 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. Donated food for 2013 and 2012 was valued at \$1.69 and \$1.66 per pound, respectively.

Financial instruments

The carrying amount of financial instruments approximate fair value based on quoted market prices or discounted cash flow analysis for cash, restricted cash and other financial instruments. Financial instruments that potentially subject the Food Bank to concentrations of credit risk consist principally of cash, certificates of deposit, restricted cash, and receivables. The Food Bank places its temporary cash investments with high quality financial institutions. At times, cash investments may exceed insured limits.

Property, equipment and improvements

Property, equipment and improvements are stated at cost less accumulated depreciation and amortization. Equipment depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 20 years. Buildings and related improvements are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years. Motor vehicle depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years. Donated property is recorded at its 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. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless otherwise stated by the donor, the restriction expires when the asset is purchased.

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

Property, equipment and improvements (continued)

The Food Bank reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the recorded amount of the asset to the estimated undiscounted future net cash flows expected to be generated by the asset. During 2013 and 2012, there were no impairments identified.

In September 2011, the Organization purchased a building which required significant improvements and will be used as its new office and warehouse facilities when complete. This building was included in construction in progress and stated at cost, which included the cost of construction and other direct costs attributable to the construction. No provision for depreciation was made on construction in progress until such time as the relevant assets were completed and put into use. The Organization capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost incurred and capitalized was \$30,021 and \$42,106 for 2013 and 2012.

Functional allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services based upon management estimates.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for 2013 and 2012 totaled \$14,266 and \$18,496 respectively.

Use of estimates

The preparation of financial statements requires management to make estimates 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 support, revenue and expenses. Due to their prospective nature, actual results could differ from those estimates.

Income taxes

As a nonprofit corporation, the Food Bank 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. These exemptions are subject to periodic review by the taxing authorities. Accordingly, a provision for federal or state income taxes is not recorded. With few exceptions, the Organization is no longer subject to U.S. and California income tax examinations by tax authorities for tax years before 2008.

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

Notes to Financial Statements

For the Years Ended June 30, 2013 and 2012

Note B. Pledges Receivable

As of June 30,	2013	2012
Restricted for capital campaign	\$ 982,257	\$ 1,461,962
Less: unamortized discount	(16,099)	(16,389)
allowance for uncollectible pledges	(24,004)	(25,000)
Pledges receivable, net	\$ 942,154	\$ 1,420,573
Amounts due in:		
Less than one year	\$ 583,192	\$ 639,642
One to five years	358,962	780,931
	\$ 942,154	\$ 1,420,573

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.0% in each of the years.

Note C. Food Inventory

As of June 30,	2013	2012
Donated food	\$ 636,183	\$ 378,616
Government commodities	269,155	306,270
Purchased food	201,779	347,169
	\$ 1,107,117	\$ 1,032,055

Note D. Property, Equipment and Improvements

As of June 30,	2013	2012
Land	\$ 1,670,000	\$ 175,000
Buildings and improvements	8,309,422	1,148,134
Equipment and fixtures	833,440	800,974
Motor vehicles	852,659	849,894
Construction in progress	257,768	5,228,720
	11,923,289	8,202,722
Accumulated depreciation	(907,938)	(1,638,630)
	\$ 11,015,351	\$ 6,564,092

For the Years Ended June 30, 2013 and 2012

Note E. Commitments Under Operating Leases

The Food Bank rents equipment under a non-cancelable operating lease which requires monthly payments of approximately \$220 and expires in 2015. The following is a schedule of minimum future rental payments required under the noncancelable operating lease as of June 30, 2013.

Year ending June 30,		
2014	\$	2,640
2015		2,200
		\$ 4,840

Rent expense amounted to \$102,355 and \$73,237 for 2013 and 2012 respectively.

Note F. Line of Credit

The Food Bank has available a non-revolving line of credit for \$1,000,000, bearing interest at 4.75%. The line of credit matures in October 2013 and is secured by real property. As of June 30, 2013, there were no draws on the line of credit.

Note G. Long-Term Debt

The Food Bank has a note payable to a bank which was obtained in September 2011. The note is due in monthly installments of \$8,571, including interest at 4.75% per annum. The note is collateralized by the building. The note matures in October 2016.

Maturities of long-term debt were as follows as of June 30, 2013.

Year ending June 30,		
2013	\$	66,241
2014		69,468
2015		72,840
2016		592,054
		\$ 800,603

Note H. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

As of June 30,	2013	2012
Funding for capital campaign	\$ 1,231,597	\$ 2,998,303
Funding for specific programs	225,423	283,284
Funding for specific purchases	27,366	35,934
	\$ 1,484,386	\$ 3,317,521

Note I. Retirement Plan

The Food Bank has a savings incentive match retirement plan which is available to eligible employees having completed one month of service. The Food Bank makes matching contributions up to 3% of employee compensation. Contributions were \$38,464 and \$36,828 for 2013 and 2012, respectively.

Note J. Subsequent Events

In accordance with ASC 855, the Food Bank has evaluated all events subsequent to the balance sheet date of June 30, 2013 through the date these financial statements were available to be issued, January 13, 2014. There were no material subsequent events that required recognition or additional disclosure in these financial statements.