

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

Financial Statements

Years Ended June 30, 2011 and 2010

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Redwood Empire Food Bank (a Nonprofit Corporation) (the "Food Bank") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Food Bank's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Empire Food Bank as of June 30, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011 on our consideration of Redwood Empire Food Bank's internal control over financial reporting and 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 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* and important for assessing the results of our audit.



Petaluma, California
November 16, 2011

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

Statements of Financial Position

June 30,	2011	2010
Assets		
Current assets		
Cash and cash equivalents	\$ 924,053	\$ 910,634
Certificates of deposit	438,328	-
Accounts receivable	346,732	328,681
Pledges receivable, current portion	446,803	218,200
Food inventory	1,051,660	1,260,108
Other current assets	55,605	80,747
Total current assets	3,263,181	2,798,370
Property, equipment and improvements, net	1,300,748	1,259,602
Deposit	75,000	-
Restricted cash for capital campaign	1,482,647	1,257,081
Pledges receivable	271,725	114,514
	\$ 6,393,301	\$ 5,429,567
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 231,199	\$ 181,686
Accrued expenses	120,022	100,041
Deferred revenue	-	27,500
Total current liabilities	351,221	309,227
Net assets		
Unrestricted	3,671,086	3,478,634
Temporarily restricted	2,370,994	1,641,706
Total net assets	6,042,080	5,120,340
	\$ 6,393,301	\$ 5,429,567

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, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Shared maintenance	\$ 998,433	\$ -	\$ 998,433
Grants	1,167,264	-	1,167,264
Donations	3,040,441	781,199	3,821,640
Fundraising events	191,142	-	191,142
Donated food	16,421,377	-	16,421,377
Investment income	6,081	-	6,081
Other income	16,250	-	16,250
Total support and revenue	21,840,988	781,199	22,622,187
Net assets released from restrictions	51,911	(51,911)	-
Total support, revenue and net assets released from restrictions	21,892,899	729,288	22,622,187
Expenses			
Program services	20,970,718	-	20,970,718
Fundraising	535,714	-	535,714
Management and general	194,015	-	194,015
Total expenses	21,700,447	-	21,700,447
Increase in net assets	192,452	729,288	921,740
Net assets, beginning of year	3,478,634	1,641,706	5,120,340
Net assets, end of year	\$ 3,671,086	\$ 2,370,994	\$ 6,042,080

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, 2010

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Shared maintenance	\$ 970,236	\$ -	\$ 970,236
Grants	841,693	-	841,693
Donations	2,519,898	395,478	2,915,376
Fundraising events	150,212	-	150,212
Donated food	15,972,946	-	15,972,946
Investment income	7,219	-	7,219
Other income	3,243	-	3,243
Total support and revenue	20,465,447	395,478	20,860,925
Net assets released from restrictions	32,544	(32,544)	-
Total support, revenue and net assets released from restrictions	20,497,991	362,934	20,860,925
 Expenses			
Program services	19,405,891	-	19,405,891
Fundraising	417,455	-	417,455
Management and general	261,325	-	261,325
Total expenses	20,084,671	-	20,084,671
Increase (decrease) in net assets	413,320	362,934	776,254
Net assets, beginning of year	3,065,314	1,278,772	4,344,086
Net assets, end of year	\$ 3,478,634	\$ 1,641,706	\$ 5,120,340

See accompanying Notes to Financial Statements

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

Statement of Functional Expenses

Year Ended June 30, 2011

	Program Services	Fund- raising	Management & General	Total Expenses
Food distributed	\$ 16,617,512	\$ -	\$ -	\$ 16,617,512
Food purchased	1,520,310	-	-	1,520,310
Salaries and wages	1,208,855	173,699	132,691	1,515,245
Food handling costs	733,301	-	-	733,301
Employee benefits and payroll taxes	242,626	34,862	26,632	304,120
Public relations and marketing	42,306	173,091	165	215,562
Professional fees	81,933	98,606	4,112	184,651
Depreciation	113,488	9,614	7,344	130,446
Office expenses	106,973	12,806	9,783	129,562
Auto and truck expenses	120,521	-	-	120,521
Occupancy expenses	101,547	8,602	6,571	116,720
Insurance	41,868	4,732	3,615	50,215
Other expenses	34,702	3,375	2,578	40,655
Fundraising events	-	15,641	-	15,641
Meetings and conferences	4,776	686	524	5,986
	\$ 20,970,718	\$ 535,714	\$ 194,015	\$ 21,700,447

See accompanying Notes to Financial Statements

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

Statement of Functional Expenses

Year Ended June 30, 2010

	Program Services	Fund- raising	Management & General	Total Expenses
Food distributed	\$ 15,609,600	\$ -	\$ -	\$ 15,609,600
Food purchased	1,309,627	-	-	1,309,627
Salaries and wages	1,049,435	164,280	174,985	1,388,700
Food handling costs	623,262	-	-	623,262
Employee benefits and payroll taxes	228,509	31,238	33,274	293,021
Public relations and marketing	51,781	155,195	11,170	218,146
Professional fees	82,504	33,407	9,275	125,186
Depreciation	115,902	8,386	8,933	133,221
Auto and truck expenses	95,285	-	-	95,285
Office expenses	87,815	9,549	10,171	107,535
Occupancy expenses	79,072	5,721	6,094	90,887
Insurance	41,779	4,241	4,517	50,537
Other expenses	24,930	1,853	1,975	28,758
Meetings and conferences	6,390	874	931	8,195
Fundraising events	-	2,711	-	2,711
	\$ 19,405,891	\$ 417,455	\$ 261,325	\$ 20,084,671

See accompanying Notes to Financial Statements

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

Statements of Cash Flows

Year Ended June 30,	2011	2010
Cash flows from operating activities		
Increase in net assets	\$ 921,740	\$ 776,254
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	130,446	133,221
Contributions and pledges restricted for capital campaign & equipment	(658,221)	(343,567)
Changes in assets and liabilities affecting operating activities:		
Decrease (increase) in assets:		
Accounts receivable	(18,051)	(93,696)
Food inventory	208,448	(573,351)
Other assets	25,142	(20,061)
Increase (decrease) in liabilities:		
Accounts payable	49,513	46,005
Accrued expenses	19,981	22,830
Deferred revenue	(27,500)	(11,927)
Net cash provided (used) by operating activities	651,498	(64,292)
Cash flows from investing activities		
Purchases of property and equipment	(171,592)	(106,170)
Deposit on building purchase	(75,000)	-
Investments in certificates of deposit, net	(438,328)	-
Investment in assets restricted for capital purchases, net	(225,566)	(732,395)
Net cash used by investing activities	(910,486)	(838,565)
Cash flows from financing activities		
Contributions restricted for capital campaign & equipment	272,407	722,376
Net increase (decrease) in cash and cash equivalents	13,419	(180,481)
Cash and cash equivalents, beginning of year	910,634	1,091,115
Cash and cash equivalents, end of year	\$ 924,053	\$ 910,634

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 2011 and 2010 approximated \$16,000 and \$20,000, 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.

Pledges receivable

Pledges receivable consists of unconditional promises to give. The Food Bank uses the allowance method to determine uncollectible pledges receivable.

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

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, 2011 and 2010, 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 2011 and 2010 was valued at \$1.66 and \$1.60 per pound, respectively.

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.

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 2011 and 2010, there were no impairments identified.

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.

For the Years Ended June 30, 2011 and 2010

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

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 2011 and 2010 totaled \$4,487 and \$33,992 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.

Note B. Pledges Receivable

As of June 30,	2011	2010
Restricted for capital campaign	\$ 751,991	\$ 364,887
Less: unamortized discount	(8,463)	(7,173)
allowance for uncollectible pledges	(25,000)	(25,000)
Pledges receivable, net	\$ 718,528	\$ 332,714
Amounts due in:		
Less than one year	\$ 446,803	\$ 218,200
One to five years	271,725	114,514
	\$ 718,528	\$ 332,714

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.

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

Notes to Financial Statements

For the Years Ended June 30, 2011 and 2010

Note C. Food Inventory

As of June 30,	2011	2010
Donated food	\$ 352,758	\$ 476,882
Government commodities	392,781	464,792
Purchased food	306,121	318,434
	<u>\$ 1,051,660</u>	<u>\$ 1,260,108</u>

Note D. Property, Equipment and Improvements

As of June 30,	2011	2010
Land	\$ 175,000	\$ 175,000
Buildings and improvements	1,148,134	1,148,134
Equipment and fixtures	772,688	744,943
Motor vehicles	699,173	558,541
Construction in progress	3,215	-
	<u>2,798,210</u>	<u>2,626,618</u>
Accumulated depreciation	<u>(1,497,462)</u>	<u>(1,367,016)</u>
	<u>\$ 1,300,748</u>	<u>\$ 1,259,602</u>

Note E. Purchase of Assets

In September 2011, the Food Bank entered into an agreement to purchase a new warehouse and distribution center at a total cost of approximately \$5,000,000. An initial deposit of \$75,000 was made into an escrow account in June 2011 and is included in the caption deposits on the statement of financial position.

Note F. Commitments Under Operating Leases

The Food Bank rents certain equipment under non-cancelable operating leases which require monthly payments of approximately \$550 and expire on various dates through 2015. The following is a schedule of minimum future rental payments required under noncancelable operating leases as of June 30, 2011.

Year ending June 30,	
2012	\$ 5,272
2013	2,640
2014	2,640
2015	2,200
	<u>\$ 12,752</u>

Rent expense amounted to \$115,607 and \$82,052 for 2011 and 2010 respectively.

Note G. Temporarily Restricted Net Assets

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

As of June 30,	2011	2010
Funding for capital campaign	\$ 2,201,175	\$ 1,589,795
Funding for specific programs	77,704	51,911
Funding for specific purchases	92,115	-
	<u>\$ 2,370,994</u>	<u>\$ 1,641,706</u>

Note H. 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 \$32,862 and \$28,230 for 2011 and 2010, respectively.

Note I. Subsequent Events

In accordance with ASC 855, the Food Bank has evaluated subsequent events through November 16, 2011, the date these financial statements were available to be issued. With the exception of those matters discussed in Note E, there were no material subsequent events that required recognition or disclosure in these financial statements.