

Redwood Empire Food Bank

**Financial Statements
and Supplementary Information**

for the Years Ended June 30, 2015 and 2014

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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, 2015 and 2014, 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 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, 2015 and 2014, 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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements. Such information is the responsibility of management and was derived from and relates 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 2, 2015 on our consideration of the 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 the Food Bank's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Petaluma, California
November 2, 2015

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statements of Financial Position

June 30,	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 3,599,331	\$ 2,979,640
Accounts receivable	411,532	485,180
Inventory	1,419,976	1,452,211
Prepaid expenses and other current assets	35,903	32,391
Total current assets	5,466,742	4,949,422
Non-current assets		
Property, equipment and improvements, net	11,237,497	11,208,380
Pledges receivable	118,632	442,364
Cash designated for capital campaign	392,176	-
Total non-current assets	11,748,305	11,650,744
Total assets	\$ 17,215,047	\$ 16,600,166
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 408,611	\$ 267,840
Accrued expenses	279,517	187,856
Total current liabilities	688,128	455,696
Net assets		
Unrestricted	15,324,966	15,405,113
Temporarily restricted	1,201,953	739,357
Total net assets	16,526,919	16,144,470
Total liabilities and net assets	\$ 17,215,047	\$ 16,600,166

See accompanying Notes to Financial Statements

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

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Donated food	\$ 22,620,339	\$ -	\$ 22,620,339
Donations	4,379,082	829,232	5,208,314
Grants	1,832,172	-	1,832,172
Sale of food and nonfood grocery items	946,870	-	946,870
Fundraising events	260,217	-	260,217
Shared maintenance	313,601	-	313,601
Investment income	2,426	-	2,426
Total revenues, gains, and other support	30,354,707	829,232	31,183,939
Net assets released from restriction	366,636	(366,636)	-
Total support and revenue	30,721,343	462,596	31,183,939
Expenses:			
Program services	29,852,560	-	29,852,560
Fundraising	574,554	-	574,554
Management and general	374,376	-	374,376
Total expenses	30,801,490	-	30,801,490
Change in net assets	(80,147)	462,596	382,449
Net assets at beginning of year	15,405,113	739,357	16,144,470
Net assets at end of year	\$ 15,324,966	\$ 1,201,953	\$ 16,526,919

See accompanying Notes to Financial Statements

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

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Donated food	\$ 20,744,444	\$ -	\$ 20,744,444
Donations	5,622,724	401,291	6,024,015
Grants	1,676,433	-	1,676,433
Sale of food and nonfood grocery items	813,033	-	813,033
Fundraising events	520,798	-	520,798
Shared maintenance	300,491	-	300,491
Investment income	1,016	-	1,016
Total revenues, gains, and other support	29,678,939	401,291	30,080,230
Net assets released from restriction	1,146,320	(1,146,320)	-
Total support and revenue	30,825,259	(745,029)	30,080,230
Expenses:			
Program services	26,963,958	-	26,963,958
Fundraising	585,758	-	585,758
Management and general	378,112	-	378,112
Total expenses	27,927,828	-	27,927,828
Change in net assets	2,897,431	(745,029)	2,152,402
Net assets at beginning of year	12,507,682	1,484,386	13,992,068
Net assets at end of year	\$ 15,405,113	\$ 739,357	\$ 16,144,470

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Functional Expenses

For the Year Ended June 30, 2015

	Program Services	Fund- raising	Management & General	Total Expenses
Food distributed	\$ 22,694,143	\$ -	\$ -	\$ 22,694,143
Salaries and wages	2,025,692	168,389	237,379	2,431,460
Food purchased	2,397,560	-	-	2,397,560
Food handling costs	1,159,290	-	-	1,159,290
Employee benefit and payroll taxes	407,562	29,890	43,735	481,187
Depreciation	368,694	20,369	20,255	409,318
Public relations and marketing	28,281	195,650	434	224,365
Occupancy expenses	193,978	2,959	2,936	199,873
Office expenses	136,912	17,938	18,580	173,430
Insurance	142,467	2,965	12,667	158,099
Other expenses	149,913	1,600	987	152,500
Auto and truck expenses	133,785	-	-	133,785
Bad debt	-	84,837	-	84,837
Fundraising events	-	47,430	-	47,430
Professional fees	7,002	1,500	33,343	41,845
Meetings and conferences	7,281	1,027	4,060	12,368
	\$ 29,852,560	\$ 574,554	\$ 374,376	\$ 30,801,490

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Functional Expenses

For the Year Ended June 30, 2014

	Program Services	Fund- raising	Management & General	Total Expenses
Food distributed	\$ 20,458,443	\$ -	\$ -	\$ 20,458,443
Food purchased	2,223,108	-	-	2,223,108
Salaries and wages	1,701,956	255,593	240,522	2,198,071
Food handling costs	1,031,490	-	-	1,031,490
Employee benefit and payroll taxes	360,513	54,142	50,948	465,603
Depreciation	318,730	18,628	17,196	354,554
Public relations and marketing	86,894	135,522	3,469	225,885
Occupancy expenses	176,541	13,608	12,350	202,499
Office expenses	138,591	20,813	19,586	178,990
Insurance	142,709	7,453	6,949	157,111
Auto and truck expenses	143,115	1,587	1,493	146,195
Professional fees	75,151	11,286	10,620	97,057
Other expenses	82,384	576	11,540	94,500
Fundraising events	-	62,896	-	62,896
Interest	20,792	3,122	2,938	26,852
Meetings and conferences	3,541	532	501	4,574
	\$ 26,963,958	\$ 585,758	\$ 378,112	\$ 27,927,828

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statements of Cash Flows

For the Year Ended June 30,	2015	2014
	Increase (decrease) in cash and cash equivalents	
Cash flows from operating activities		
Increase in net assets	\$ 382,449	\$ 2,152,402
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	409,318	354,554
Bad debt	84,837	-
Contributions restricted for long-term purpose	(121,250)	-
Pledges receivable restricted for long-term purpose	(26,296)	(5,897)
Decrease (increase) in operating assets:		
Accounts receivable	73,648	(36,935)
Inventory	32,235	(345,094)
Prepaid expenses and other current assets	(3,512)	11,850
Increase (decrease) in operating liabilities:		
Accounts payable	140,771	(23,056)
Accrued expenses	91,661	64,911
Net cash provided by operating activities	1,063,861	2,172,735
Cash flows from investing activities		
Purchases of property, equipment and improvements	(438,435)	(547,583)
Investment in assets restricted for capital purchases	-	289,443
Cash designated for capital campaign	(392,176)	-
Net cash used in investing activities	(830,611)	(258,140)
Cash flows from financing activities		
Contributions restricted for long-term purpose	386,441	505,687
Principal payments on note payable	-	(800,603)
Net cash provided by (used in) financing activities	386,441	(294,916)
Net increase in cash and cash equivalents	619,691	1,619,679
Cash and cash equivalents at beginning of year	2,979,640	1,359,961
Cash and cash equivalents at end of year	\$ 3,599,331	\$ 2,979,640
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ -	\$ 26,854

See accompanying Notes to Financial Statements

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

Redwood Empire Food Bank (the "Food Bank") is a California non-profit 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.

The Food Bank opened the Value Market in July 2013, which sells a variety of fresh produce, dairy, meat, deli, and grocery items at retail prices. Individuals must be income eligible to qualify or participate in a government assistance program in order 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.

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.

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.

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 asset'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.

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, 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. As of June 30, 2015 and 2014, management estimates that no reserve for losses on accounts receivable is 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 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 2015 and 2014 was valued at \$1.70 and \$1.72 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, 2015 and 2014.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted 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.

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 85,000 and 80,000 volunteer hours during the years ended June 30, 2015 and 2014, 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 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 \$10,743 and \$26,576 for the years ended June 30, 2015 and 2014, respectively.

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses, such as depreciation, applicable to more than one program or activity have been allocated among the programs 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, 2015 and 2014, 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, 2015, 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 2010-2013 for state and 2011-2013 for federal.

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

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.

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

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

Note B. Pledges Receivable

Pledges receivable consist of the following:

As of June 30,	2015	2014
Restricted for long-term purpose	\$ 121,750	\$ 470,073
Less: unamortized discount	-	(16,099)
allowance for uncollectible pledges	(3,118)	(11,610)
Pledges receivable, net	\$ 118,632	\$ 442,364

All pledges receivable are restricted for a long-term purpose and are classified as a non-current asset on the statements of financial position.

Note C. Inventory

Inventory consists of the following:

As of June 30,	2015	2014
Donated food	\$ 693,490	\$ 872,273
Government commodities	452,339	318,040
Purchased food and nonfood grocery items	274,147	261,898
	\$ 1,419,976	\$ 1,452,211

Note D. Property, Equipment and Improvements

Property, equipment, and improvements consist of the following:

As of June 30,	2015	2014
Land	\$ 1,670,000	\$ 1,670,000
Buildings and improvements	8,868,237	8,761,542
Equipment and fixtures	1,217,174	1,185,859
Motor vehicles	941,528	853,471
	12,696,939	12,470,872
Accumulated depreciation	(1,459,442)	(1,262,492)
	\$ 11,237,497	\$ 11,208,380

Note D. Property, Equipment and Improvements (continued)

Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$409,318 and \$354,554, respectively.

Note E. Temporarily Restricted Net Assets

Temporarily restricted net assets are summarized by the following restriction categories as of June 30:

As of June 30,	2015	2014
Funding for capital campaign	\$ 493,970	\$ 449,112
Funding for specific programs	333,008	278,664
Funding for specific purchases	374,975	11,581
	<u>\$ 1,201,953</u>	<u>\$ 739,357</u>

Note F. Concentrations

During the years ended June 30, 2015 and 2014, 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, 2015, the Food Bank had deposit amounts with financial institutions in excess of the \$250,000 FDIC insurance limit. At June 30, 2015, the Food Bank had approximately \$665,000 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 \$50,519 and \$42,996 for the years ended June 30, 2015 and 2014, respectively.

Note H. Related Party Transactions

The Food Bank purchased services from related companies during the years ended June 30, 2015 and 2014. These companies employ or are owned by board members. Purchases amounted to \$9,159 and \$215,244 for the years ended June 30, 2015 and 2014, respectively. Amounts include insurance, legal services, and inventory purchases.

Note I. Subsequent Events

The Food Bank evaluated subsequent events through November 2, 2015, the date which the financial statements were available to be issued, and determined that there are no material subsequent events that required recognition or additional disclosure in these financial statements.

Supplementary Information

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
United States Department of Agriculture			
Food Distribution Cluster			
Food and Nutrition Service			
Pass-through from California Department of Education			
Commodity Supplemental Food Program - Administration	10.565	000000V496-00	\$ 256,581
Commodity Supplemental Food Program - Food Commodities	10.565	000000V496-00	753,549
Subtotal Commodity Supplemental Food Program			1,010,130
Pass-through from California Department of Social Services			
Emergency Food Assistance Program - Administration	10.568	692320-00	95,359
Emergency Food Assistance Program - Food Commodities	10.569	692320-00	583,888
Subtotal Emergency Food Assistance Program			679,247
Subtotal Food Distribution Cluster			1,689,377
Pass-through from California Department of Education			
Summer Food Service Program - Summer Lunch	10.559	04087-V496-00	237,549
Summer Food Service Program - Snacks for Kids	10.559	04087-V496-00	16,826
Subtotal Summer Food Service Program			254,375
Pass-through from California Department of Education			
Child and Adult Care Food Program	10.558	04087-V496-00	1,041,540
Total United States Department of Agriculture			2,985,292
Total expenditures of federal awards			\$ 2,985,292

Note A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the Redwood Empire Food Bank (the "Food Bank") under programs of the federal government for the year ended June 30, 2015. The information in this SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA 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 SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

The CFDA numbers included in the accompanying 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. Subrecipients

The Food Bank provided federal awards to subrecipients during the year ended June 30, 2015 in the amount of \$125,340 in connection with the Commodity Supplemental Food Program, Federal CDFA Number 10.565.

Note E. 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.



**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, 2015, and the related statements of activities and changes in net assets, 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 2, 2015.

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 2, 2015.

PricewaterhouseCoopers

Petaluma, California
November 2, 2015



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Certified Public Accountants and Advisors

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**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133**

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 compliance of Redwood Empire Food Bank (the "Food Bank") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2015. The Food Bank's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Food Bank's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 program. However, our audit does not provide a legal determination of the Food Bank's compliance.

Opinion on the 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 program for the year ended June 30, 2015.

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by OMB Circular A-133 (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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Petaluma, California
November 2, 2015

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: 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 programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs

Federal

CFDA

Number Federal Program Name

Food Distribution Cluster:

10.565 Commodity Supplemental Food Program

10.568 Emergency Food Assistance Program (Administrative Costs)

10.569 Emergency Food Assistance Program (Food Commodities)

Dollar threshold used to distinguish between type A and type B program: \$300,000

Auditee qualified as low-risk auditee? Yes

II. Financial Statement Findings

No matters are reportable

III. Findings and Questioned Costs for Federal Awards

No matters are reportable

No matters were reported in the prior year.