

Redwood Empire Food Bank

Financial Statements and Supplementary Information

*For the years ended
June 30, 2020 and 2019*



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) ("REFB"), which comprise the statements of financial position as of June 30, 2020 and 2019 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, 2020 and 2019, 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 REFB's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the related notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2021, on our consideration of the REFB'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 REFB's internal control over financial reporting and compliance.



Santa Rosa, California
August 3, 2021

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statements of Financial Position

June 30,	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 13,456,785	\$ 5,757,320
Accounts receivable	417,739	405,564
Investments	9,001,099	7,900,864
Inventory	5,155,152	2,288,860
Prepaid expenses and other current assets	85,775	29,584
Total current assets	28,116,550	16,382,192
Property, equipment and improvements, net	12,562,838	11,206,329
Total assets	\$ 40,679,388	\$ 27,588,521
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 756,437	\$ 302,570
Accrued expenses	324,312	324,967
Total current liabilities	1,080,749	627,537
Paycheck Protection Program loan	821,500	-
Net assets		
Without donor restrictions		
Undesignated	38,522,827	26,098,143
Board designated	31,500	31,500
Total unrestricted net assets	38,554,327	26,129,643
With donor restrictions	222,812	831,341
Total net assets	38,777,139	26,960,984
Total liabilities and net assets	\$ 40,679,388	\$ 27,588,521

See accompanying Notes to Financial Statements

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

Statement of Activities

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Donated food	\$ 36,640,752	\$ -	\$ 36,640,752
Donations	16,604,699	281,500	16,886,199
Grants	1,807,712	-	1,807,712
Fundraising events	585,150	-	585,150
Sale of food and nonfood grocery items	1,070,747	-	1,070,747
Investment income, net	329,198	-	329,198
Shared maintenance	313,464	-	313,464
Total revenues, gains, and other support	57,351,722	281,500	57,633,222
Net assets released from purpose restrictions	890,029	(890,029)	-
Total support and revenue	58,241,751	(608,529)	57,633,222
Expenses:			
Program services	43,881,616	-	43,881,616
Fundraising	1,274,671	-	1,274,671
Management and general	660,780	-	660,780
Total expenses	45,817,067	-	45,817,067
Change in net assets	12,424,684	(608,529)	11,816,155
Net assets at beginning of year	26,129,643	831,341	26,960,984
Net assets at end of year	\$ 38,554,327	\$ 222,812	\$ 38,777,139

See accompanying Notes to Financial Statements

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

Statement of Activities

For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Donated food	\$ 25,719,540	\$ -	\$ 25,719,540
Donations	7,452,450	203,386	7,655,836
Grants	1,522,659	-	1,522,659
Fundraising events	1,086,869	-	1,086,869
Sale of food and nonfood grocery items	955,965	-	955,965
Investment income, net	286,593	-	286,593
Shared maintenance	272,068	-	272,068
Total revenues, gains, and other support	37,296,144	203,386	37,499,530
Net assets released from purpose restrictions	2,489,704	(2,489,704)	-
Total support and revenue	39,785,848	(2,286,318)	37,499,530
Expenses:			
Program services	33,052,132	-	33,052,132
Fundraising	1,177,981	-	1,177,981
Management and general	546,034	-	546,034
Total expenses	34,776,147	-	34,776,147
Change in net assets	5,009,701	(2,286,318)	2,723,383
Net assets at beginning of year	21,119,942	3,117,659	24,237,601
Net assets at end of year	\$ 26,129,643	\$ 831,341	\$ 26,960,984

See accompanying Notes to Financial Statements

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

Statement of Functional Expenses

For the year ended June 30, 2020

	Food Distribution & Hunger Relief	Fund- raising	Management & General	Total Expenses
Value of donated food distributed	\$ 34,653,918	\$ -	\$ -	\$ 34,653,918
Salaries, wages, and benefits	3,993,977	792,824	506,756	5,293,557
Value of purchased food distributed	3,121,012	-	-	3,121,012
Food distribution expense	983,257	-	-	983,257
Depreciation	524,497	89,602	46,637	660,736
Materials, services, and supplies	225,577	366,490	16,735	608,802
Occupancy expense	296,232	12,941	11,748	320,921
Insurance	70,431	4,991	14,132	89,554
Professional fees	-	-	63,777	63,777
Meetings and conferences	12,715	7,823	995	21,533
	\$ 43,881,616	\$ 1,274,671	\$ 660,780	\$ 45,817,067

See accompanying Notes to Financial Statements

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

Statement of Functional Expenses

For the year ended June 30, 2019

	Food Distribution & Hunger Relief	Fund- raising	Management & General	Total Expenses
Value of donated food distributed	\$ 24,998,863	\$ -	\$ -	\$ 24,998,863
Salaries, wages, and benefits	2,997,122	728,230	440,252	4,165,604
Value of purchased food distributed	3,794,878	-	-	3,794,878
Materials, services, and supplies	177,213	386,744	16,096	580,053
Food distribution expense	428,753	-	-	428,753
Depreciation	311,324	41,531	28,632	381,487
Occupancy expense	273,816	14,544	9,497	297,857
Insurance	58,258	5,209	13,193	76,660
Professional fees	-	-	34,425	34,425
Meetings and conferences	11,905	1,723	3,939	17,567
	\$ 33,052,132	\$ 1,177,981	\$ 546,034	\$ 34,776,147

See accompanying Notes to Financial Statements

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

Statements of Cash Flows

For the Year Ended June 30,	2020	2019
	Increase (decrease) in cash and cash equivalents	
Cash flows from operating activities		
Change in net assets	\$ 11,816,155	\$ 2,723,383
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	660,736	381,487
In-kind contributions of donated food	(36,640,752)	(25,719,540)
Donated food distributed	34,653,918	24,998,863
Unrealized (gains) losses on investments	50,738	(66,651)
Decrease (increase) in operating assets:		
Accounts receivable	(12,175)	(111,215)
Inventory	(879,458)	(126,409)
Prepaid expenses and other current assets	(56,191)	45,991
Increase (decrease) in operating liabilities:		
Accounts payable	453,867	(23,573)
Accrued expenses	(655)	65,184
Net cash provided by operating activities	10,046,183	2,167,520
Cash flows from investing activities		
Purchases of property, equipment and improvements	(2,017,245)	(510,987)
Proceeds from Paycheck Protection Program loan	821,500	-
Net purchases of investments	(1,150,973)	(619,657)
Net cash used in investing activities	(2,346,718)	(1,130,644)
Net increase in cash and cash equivalents	7,699,465	1,036,876
Cash and cash equivalents at beginning of year	5,757,320	4,720,444
Cash and cash equivalents at end of year	\$ 13,456,785	\$ 5,757,320

See accompanying Notes to Financial Statements

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

The Redwood Empire Food Bank (“REFB”) is a California nonprofit public benefit corporation whose mission is to end hunger in the community. Established in 1987, REFB is the largest hunger-relief organization serving north coastal California, from Sonoma County to the Oregon border. Since 1987, they have been responding to the immediate needs of people seeking help through the provision of healthy food and nutrition education in Sonoma, Lake, Mendocino, Humboldt, and Del Norte Counties.

REFB pursues long-term solutions to food insecurity through public policy and the development of partnerships with civic, faith-based, corporate and government organizations and, most importantly, individuals in the community. This allows for a nourishing supply of food for people in need through more than 300 monthly direct service distributions, as well as being the major source to over 170 other hunger-relief organizations.

In an effort to effectively reach people struggling with food insecurity, REFB operates 12 innovative hunger-relief programs that target children, seniors, families, and individuals, while emphasizing the nutritional needs of each group.

In addition to distributing food to those in need, REFB operates their Food Connections Market, selling a variety of fresh produce, dairy, meat, deli, and other grocery items at competitive prices. Designed to offer a reliable and affordable source of groceries, the market provides a dignified shopping experience for low-income individuals.

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”).

Cash and Cash Equivalents

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

Note A. Nature of Activities and Summary of Significant Accounting Policies (continued)*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. REFB uses the allowance method to reserve for uncollectible accounts. Management periodically evaluates the allowance. At June 30, 2020 and 2019, management determined that no allowance was necessary.

Inventory

Inventory consists of food and nonfood grocery items, both donated and purchased. Purchased food products are stated at the lower of cost (first-in, first-out method) or net realizable value. Government commodities are carried in inventory at a cost figure provided by government agencies and the value of donated food is determined according to a composite per-pound rate determined by a cost study performed by Feeding America, the nation's largest nongovernmental food distribution program. Donated food that was received during the years ended June 30, 2020 and 2019 was valued at \$1.52 and \$1.57 per pound, respectively.

Investments

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

Property, Equipment, and Improvements

Property, equipment, and improvements are stated at cost. Depreciation is computed on the straight-line method over useful lives ranging from 3 to 40 years. Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted.

Impairment of Long-Lived Assets

REFB 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, 2020 and 2019.

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

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. REFB reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current year or is received with permanent donor restrictions. Conditional promises are not recognized until all conditions on which they depend are substantially met.

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

Grants received by REFB are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

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

Donated Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received. Many individuals volunteer their time and perform a variety of tasks that assist REFB in support of its programs and fundraising activities; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. REFB received approximately 150,000 and 100,000 volunteer hours during the years ended June 30, 2020 and 2019, respectively.

Advertising and Promotion Costs

Advertising costs are expensed when incurred. Advertising costs amounted to \$8,685 and \$36,245 for the years ended June 30, 2020 and 2019, respectively.

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

REFB allocates operational costs between program services, general and administrative and fundraising by utilizing a cost allocation policy that is updated and reviewed annually. REFB applies several methods for allocating costs. Expenses that can be identified with the program are charged directly to that program as direct costs. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time and effort. General and administrative expenses include those costs that are not directly identifiable with the program, but which provide for the overall support and direction of REFB. These costs are allocated to the functions using a base that results in an equitable distribution. The allocation is reflected in the statement of functional expenses.

Income Taxes

REFB 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, REFB 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, 2020 and 2019, as management determined that REFB had no unrelated business income.

REFB is subject to "Accounting for Uncertainty in Income Taxes" under Accounting Standards Codification (ASC) 740 Income Taxes. The Codification requires the evaluation of tax positions taken or expected to be taken in REFB's tax returns and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. REFB does not believe it has taken any tax positions that would not meet this threshold. REFB's policy is to reflect interest and penalties related to uncertain tax positions as part of income tax expense, when and if they become applicable.

REFB's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, federal income tax returns have a three-year statute of limitations, and state income tax returns have a four-year statute of limitations.

Net Assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of REFB and changes therein are classified and reported as follows:

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

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

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

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

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 relates to the value of non-purchased food, the collectability of accounts receivable, and depreciable lives of property, equipment, and improvements. Actual results could differ from those estimates.

Future Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02 "Leases (Topic 842)". This standard requires entities that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. For nonpublic companies the new guidance will be required for annual reporting periods beginning after December 15, 2021, and interim and annual reporting periods after those reporting periods. Nonpublic companies and organizations may elect early application, but no earlier than the effective date for public entities. REFB is evaluating the impact of this standard on the financial statements.

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which distinguishes the difference between contributions and exchange transactions. This ASU is effective for fiscal years beginning after December 15, 2019, with early application permitted. This ASU should not be applied on a retrospective basis. REFB is evaluating the impact of this standard on the financial statements.

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

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework Changes to the Fair Value Disclosure Requirements for Fair Value Measurement to modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. These amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The amendments should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The adoption of the ASU is not expected to have a material impact on the financial statements.

Reclassification of Prior Year Amounts

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

Note B. Liquidity

REFB operates with a balanced budget and anticipates covering its general expenditures with existing working capital and by maintaining and expanding existing programs and relationships with funders who have provided donations without restrictions and are willing to provide multi-year grants. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

As of June 30,	2020	2019
Cash and cash equivalents	\$ 13,456,785	\$ 5,757,320
Accounts receivable	417,739	405,564
Investments	9,001,099	7,900,864
	22,875,623	14,063,748
Less donor imposed purposes restrictions unavailable for general expenditure	222,812	831,341
Funds available to meet expenditures within one year	\$ 22,652,811	\$ 13,232,407

Note C. Inventory

Inventory consists of the following:

As of June 30,	2020	2019
Government commodities	\$ 3,477,350	\$ 1,058,734
Donated food and other grocery items	595,980	812,640
Purchased food	1,081,822	417,486
	\$ 5,155,152	\$ 2,288,860

Note D. Investments

Investments stated at fair value consist of the following:

As of June 30,	2020	2019
Exchange-traded funds	\$ 1,874,507	\$ 33,431
Municipal bonds	81,056	-
Negotiable certificates of deposit	7,045,536	7,867,433
Investments	\$ 9,001,099	\$ 7,900,864

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

Years ended June 30,	2020	2019
Interest and dividends	\$ 253,204	\$ 158,650
Net realized gains	126,990	61,544
Net unrealized gains (losses)	(50,738)	66,651
Investment expenses	(258)	(252)
Total investment return	\$ 329,198	\$ 286,593

Note E. Fair Value Measurements

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

Note E. Fair Value Measurements (continued)

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

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

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

The following table sets forth by level, within the fair value hierarchy, REFB's investments at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Exchange-traded funds	\$ 1,874,507	\$ -	\$ -	\$ 1,874,507
Municipal bonds	-	81,056	-	81,056
Negotiable certificates of deposit	-	7,045,536	-	7,045,536
Investments at fair value	\$ 1,874,507	\$ 7,126,592	\$ -	\$ 9,001,099

Note E. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, REFB's investments at June 30, 2019:

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

Note F. Property, Equipment, and Improvements

Property, equipment, and improvements consist of the following:

As of June 30,	2020	2019
Land	\$ 1,670,000	\$ 1,670,000
Buildings and improvements	9,821,056	9,245,234
Equipment and fixtures	2,526,381	1,840,149
Motor vehicles	1,940,833	1,263,855
	15,958,270	14,019,238
Accumulated depreciation	(3,395,432)	(2,812,909)
	\$ 12,562,838	\$ 11,206,329

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$660,736 and \$381,437, respectively.

Note G. Paycheck Protection Program Loan

On April 15, 2020, REFB received loan proceeds in the amount of \$821,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business, up to \$10 million. The loans and accrued interest are forgivable after eight to twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-to-twenty-four-week period. On March 16 2021, REFB received notification that the PPP loan was forgiven by the Small Business Administration. Therefore, the full amount of the loan will be recognized in revenue in during the year ending June 30, 2021.

Note H. Net Asset Classifications

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

As of June 30,	2020	2019
With donor restrictions:		
Purpose restricted:		
Fire relief	\$ -	\$ 331,983
Specific purchases	52,154	320,075
Specific programs	170,658	179,283
Total net assets with donor restrictions	222,812	831,341
Without donor restrictions:		
Designated by the Board	31,500	31,500
Undesignated	38,522,827	26,098,143
Total net assets without donor restrictions	38,554,327	26,129,643
Net assets	\$ 38,777,139	\$ 26,960,984

Note I. Concentrations

During the years ended June 30, 2020 and 2019, REFB 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 REFB's operations.

Note J. Retirement Plan

REFB maintains a Simple IRA deferred compensation retirement plan which is available to eligible employees having completed one month of service. REFB's plan calls for matching contributions up to 3% of a participant's compensation. Matching contributions were \$77,381 and \$65,138 for the years ended June 30, 2020 and 2019, respectively.

Note K. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which REFB operates. While it is unknown how long these conditions will last and what the complete financial effect will be to REFB, the outbreak has not negatively affected REFB's operations for the year presented as well as the period subsequent to year end through the issuance date of this report. The future impact of the outbreak is highly uncertain and cannot be predicted and therefore REFB's cannot estimate the ultimate impact on future financial results.

REFB is a defendant in two lawsuits, both of which involve employee-related issues. Regarding the first matter, it is management's opinion that the ultimate impact on REFB cannot be estimated at this time, however the matter it is not currently expected to have a material adverse effect on REFB's financial position. Additionally, management believes that it is likely that the matter will be substantially covered by insurance. Regarding the second matter, management estimates the ultimate outcome will be a payment by REFB of approximately \$150,000.

Note L. Subsequent Events

REFB evaluated subsequent events through August 3, 2021, the date which the financial statements were available to be issued.

Supplementary Information

Redwood Empire Food Bank

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor / Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided 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	\$ 60,971	\$ 322,849
California Department of Education- Commodity Supplemental Food Program - Food Commodities	10.565	000000V496-00	249,543	1,098,180
Subtotal Commodity Supplemental Food Program			310,514	1,421,029
California Department of Social Services- Emergency Food Assistance Program - Administration	10.568	692320-00	-	768,237
California Department of Social Services- Emergency Food Assistance Program - Food Commodities	10.569	692320-00	-	7,381,880
Subtotal Emergency Food Assistance Program			-	8,150,117
Total Food Distribution Cluster			310,514	9,571,146
Child Nutrition Cluster				
California Department of Education- Summer Food Service Program for Children - Summer Lunch	10.559	04087-V496-00	-	231,514
Total Child Nutrition Cluster			-	231,514
California Department of Education- Child and Adult Care Food Program	10.558	04087-V496-00	-	262,113
Subtotal Child and Adult Care Food Program			-	262,113
Total Department of Agriculture			310,514	10,064,773
Department of Homeland Security Programs				
Sonoma County Task Force for the Homeless- Emergency Food and Shelter National Board Program	97.024	090800-005	-	23,000
Total expenditures of federal awards			\$ 310,514	\$ 10,087,773

See accompanying Notes to Schedule of Federal Awards

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Redwood Empire Food Bank (“REFB”) under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the REFB, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the REFB.

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 SEFA were determined based on the program name, review of grant contract information, and the Office of Management and Budget’s Catalog of Federal Domestic Assistance.

Note D. Food Distribution

The amounts reported for “Food Commodities” programs represent the dollar value of the U.S. Department of Agriculture (USDA) food commodities distributed to the REFB 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 REFB 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 ("REFB") which comprise of the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated August 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the REFB'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 REFB's internal control. Accordingly, we do not express an opinion on the effectiveness of the REFB'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 REFB'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 REFB'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 REFB'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 REFB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "P. P. P. & B. B. B. LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
August 3, 2021



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 "REFB") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the REFB's major federal programs for the year ended June 30, 2020. The REFB'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 REFB'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 REFB'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 REFB's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the REFB complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the REFB 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 REFB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Grant Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the REFB'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.



Santa Rosa, California
August 3, 2021

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:

<u>CDFA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
	Food Distribution Cluster
10.558	Child and 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

II. Financial Statement Findings

No matters are reportable

III. Federal Award Findings and Questioned Costs

No matters are reportable

No matters were reported in the prior year.