



Financial Statements with Supplementary Information

Years Ended June 30, 2023 and 2022



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

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Independent Auditor's Report

To the Board of Directors
Redwood Empire Food Bank

Opinion

We have audited the financial statements of Redwood Empire Food Bank ("REFB"), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of REFB as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of REFB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about REFB's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 REFB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about REFB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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 is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Independent Auditor's Report (continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023 on our consideration of REFB'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 solely 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 effectiveness of REFB's 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 REFB's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Puseati & Brinker LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
November 16, 2023

Redwood Empire Food Bank
Statements of Financial Position

June 30,	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 9,711,873	\$ 10,665,778
Grants and other receivables	1,094,486	1,232,727
Investments	24,911,867	21,851,344
Inventory	2,137,416	2,476,971
Prepaid expenses and other current assets	78,034	74,304
Total current assets	37,933,676	36,301,124
Property, equipment and improvements, net	13,997,698	13,253,633
Total assets	\$ 51,931,374	\$ 49,554,757
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 621,049	\$ 495,796
Accrued compensation and other liabilities	1,214,976	910,158
Total liabilities	1,836,025	1,405,954
Net assets		
Without donor restrictions		
Undesignated	45,048,903	43,071,178
Board-designated	4,967,500	4,967,500
Total without donor restrictions	50,016,403	48,038,678
With donor restrictions	78,946	110,125
Total net assets	50,095,349	48,148,803
Total liabilities and net assets	\$ 51,931,374	\$ 49,554,757

See accompanying notes.

**Redwood Empire Food Bank
Statement of Activities**

Year Ended June 30, 2023

	Without donor restriction	With donor restriction	Total
Revenues, gains, and other support:			
Donated food	\$ 35,856,535	\$ -	\$ 35,856,535
Contributions	11,075,786	1,025,953	12,101,739
Contract income	3,724,916	-	3,724,916
Grants	2,226,302	-	2,226,302
Employee Retention Credit, net	1,242,200	-	1,242,200
Investment income, net	1,327,153	-	1,327,153
Special event revenue, net	628,474	-	628,474
Sale of food and nonfood grocery items	662,587	-	662,587
Shared maintenance fees	512,554	-	512,554
Total revenues, gains, and other support	57,256,507	1,025,953	58,282,460
Reclassification, net assets released from restrictions	1,057,132	(1,057,132)	-
Expenses:			
Food distribution and hunger relief	53,317,563	-	53,317,563
Fundraising	1,666,085	-	1,666,085
Management and general	1,352,266	-	1,352,266
Total expenses	56,335,914	-	56,335,914
Change in net assets	1,977,725	(31,179)	1,946,546
Net assets at beginning of year	48,038,678	110,125	48,148,803
Net assets at end of year	\$ 50,016,403	\$ 78,946	\$ 50,095,349

See accompanying notes.

**Redwood Empire Food Bank
Statement of Activities**

Year Ended June 30, 2022

	Without donor restriction	With donor restriction	Total
Revenues, gains, and other support:			
Donated food	\$ 33,302,743	\$ -	\$ 33,302,743
Contributions	14,504,975	1,069,398	15,574,373
Grants	1,887,537	-	1,887,537
Contract income	1,672,460	-	1,672,460
Shared maintenance fees	363,213	-	363,213
Sale of food and nonfood grocery items	362,282	-	362,282
Gain on sale of assets	10,800	-	10,800
Investment loss, net	(1,744,937)	-	(1,744,937)
Total revenues, gains, and other support	50,359,073	1,069,398	51,428,471
Reclassification, net assets released from restrictions	1,341,386	(1,341,386)	-
Expenses:			
Food distribution and hunger relief	48,564,705	-	48,564,705
Fundraising	1,422,489	-	1,422,489
Management and general	1,221,235	-	1,221,235
Total expenses	51,208,429	-	51,208,429
Change in net assets	492,030	(271,988)	220,042
Net assets at beginning of year	47,546,648	382,113	47,928,761
Net assets at end of year	\$ 48,038,678	\$ 110,125	\$ 48,148,803

See accompanying notes.

Redwood Empire Food Bank
Statement of Functional Expenses

Year Ended June 30, 2023

	Food distribution and hunger relief	Fundraising	Management and general	Total
Value of donated food distributed	\$ 36,248,181	\$ -	\$ -	\$ 36,248,181
Value of purchased food distributed	8,447,383	-	-	8,447,383
Salaries, wages, and benefits	5,920,704	1,093,333	1,131,319	8,145,356
Food distribution expense	1,080,750	-	831	1,081,581
Materials, services, and supplies	285,738	473,295	49,822	808,855
Depreciation	789,193	65,166	58,026	912,385
Occupancy expense	424,512	15,332	18,390	458,234
Insurance	116,949	12,905	13,216	143,070
Professional fees	-	-	79,569	79,569
Meetings and conferences	4,153	6,054	1,093	11,300
	\$ 53,317,563	\$ 1,666,085	\$ 1,352,266	\$ 56,335,914

See accompanying notes.

**Redwood Empire Food Bank
Statement of Functional Expenses**

Year Ended June 30, 2022

	Food distribution and hunger relief	Fundraising	Management and general	Total
Value of donated food distributed	\$ 34,865,303	\$ -	\$ -	\$ 34,865,303
Salaries, wages, and benefits	5,568,813	914,750	940,012	7,423,575
Value of purchased food distributed	5,262,960	-	-	5,262,960
Food distribution expense	1,158,725	13,264	616	1,172,605
Depreciation	842,399	69,177	70,712	982,288
Materials, services, and supplies	394,827	399,218	90,953	884,998
Occupancy expense	370,617	14,410	33,731	418,758
Insurance	98,970	9,496	9,896	118,362
Professional fees	-	-	74,763	74,763
Meetings and conferences	2,091	2,174	552	4,817
	\$ 48,564,705	\$ 1,422,489	\$ 1,221,235	\$ 51,208,429

See accompanying notes.

Redwood Empire Food Bank
Statements of Cash Flows

Year Ended June 30,	2023	2022
	Increase (decrease) in cash and cash equivalents	
Cash flows from operating activities		
Change in net assets	\$ 1,946,546	\$ 220,042
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	912,385	982,288
In-kind contributions of donated food	(35,856,535)	(33,302,743)
Donated food distributed	36,248,181	34,865,303
Gain on sale of equipment	-	(10,800)
Net realized and unrealized (gains) losses on investments	(589,659)	2,376,074
(Increase) decrease in operating assets:		
Grants and other receivables	138,241	(852,812)
Inventory	(52,091)	349,660
Prepaid expenses and other current assets	(3,730)	(17,490)
Increase in operating liabilities:		
Accounts payable	125,253	10,447
Accrued compensation and other liabilities	304,818	97,442
Net cash provided by operating activities	3,173,409	4,717,411
Cash flows from investing activities		
Purchases of property, equipment and improvements	(1,656,450)	(885,415)
Proceeds from sale of equipment	-	10,800
Net purchases of investments	(2,470,864)	(5,770,619)
Net cash used in investing activities	(4,127,314)	(6,645,234)
Net decrease in cash and cash equivalents	(953,905)	(1,927,823)
Cash and cash equivalents at beginning of year	10,665,778	12,593,601
Cash and cash equivalents at end of year	\$ 9,711,873	\$ 10,665,778

See accompanying notes.

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

Redwood Empire Food Bank (“REFB”), a California nonprofit public benefit corporation, is the largest hunger-relief organization serving Northern California. Since 1987, the REFB has provided food and nourishment to those facing hunger—serving more than 100,000 children, families, and seniors in Sonoma, Lake, Mendocino, Humboldt, and Del Norte Counties. With over 300 direct service distributions and 150 partnerships with local human service organizations, all residents facing food insecurity have regular access to weekly and monthly food distribution sites across the five counties.

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 an original maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed that 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.

Grants and Other Receivables

Grants and other receivables 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 receivable balances. REFB uses the allowance method to reserve for uncollectible accounts. Management periodically evaluates the allowance. As of June 30, 2023 and 2022, management determined that no allowance was necessary.

Investments

Investments, which comprise negotiable certificates of deposit, exchange-traded funds, mutual funds, fixed-income securities, municipal bonds and other government securities, 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 restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the earnings are recognized.

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

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 hunger-relief program. Donated food that was received during the years ended June 30, 2023 and 2022, was valued at \$1.53 and \$1.70 per pound, respectively. Management has determined an allowance for obsolete inventory would not be material to the financial statements.

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 three to 40 years. Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as without donor restriction 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, 2023 and 2022.

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 restriction unless use of the contributed asset 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 restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

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.

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

Revenue Recognition and Contributions (continued)

Partnering with other hunger-relief organizations throughout the region is essential in fortifying REFB's food safety net. REFB's 150 partners help to create a vast network of pantries, dining rooms, shelters, group homes, and childcare facilities and are located in every city, town and unincorporated area throughout REFB's service area. Partners in Sonoma, Lake, Mendocino, Humboldt, and Del Norte counties acquire food from REFB in order to support the partner programs, and together they work to support neighbors in need. Partners purchase items at cost plus markup and acquire donated items that may include a shared maintenance fee to help defray a portion of operating expenses. Revenue from purchased food sales and the shared maintenance fee is recognized at the time of the transfer of food.

REFB has concluded that revenue from federal and state contracts represents conditional contributions, as defined by Accounting Standards Update ("ASU") 2018-08. As such, revenue on these contracts is generally recognized as contract-related expenditures are made. Contract-related expenditures are considered the best available measure of performance under the terms of the contract.

REFB is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions when the underlying assets are 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 125,000 and 95,000 volunteer hours during the years ended June 30, 2023 and 2022, respectively.

Functional Expense Allocation

REFB allocates operational costs between food distribution and hunger relief, management and general, 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 a 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. Management and general expenses include those costs that are not directly identifiable with a 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 statements of functional expenses.

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

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, 2023 and 2022, 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*. ASC 740 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 that 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 restriction – 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.

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

Years Ended June 30, 2023 and 2022

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

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.

Note B. Investments

Investments stated at fair value consist of the following:

As of June 30,	2023	2022
Negotiable certificates of deposit	\$ 3,912,109	\$ 4,605,589
Government securities	8,289,068	4,573,871
Mutual funds	3,736,924	4,124,406
Municipal bonds	2,957,787	3,345,909
Exchange-traded funds	4,904,207	4,358,628
Fixed-income securities	1,111,772	842,941
Investments	\$ 24,911,867	\$ 21,851,344

Note C. Property, Equipment and Improvements

Property, equipment and improvements consist of the following:

As of June 30,	2023	2022
Land	\$ 1,670,000	\$ 1,670,000
Buildings and improvements	10,889,664	10,804,464
Equipment and fixtures	3,246,414	3,269,744
Motor vehicles	3,550,432	2,419,567
Construction in progress	28,187	-
	19,384,697	18,163,775
Accumulated depreciation	(5,386,999)	(4,910,142)
	\$ 13,997,698	\$ 13,253,633

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$912,385 and \$982,288, respectively.

Note D. Inventory

Inventory consists of the following:

As of June 30,	2023	2022
Government commodities	\$ 1,041,847	\$ 1,020,859
Donated food and other grocery items	410,890	779,352
Purchased food	684,679	676,760
	\$ 2,137,416	\$ 2,476,971

Note E. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

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:

- 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

REFB invests in mutual funds, exchange-traded funds, and fixed income securities for which fair value is determined based upon quoted prices for identical instruments in active markets. Investments in government securities are valued using independent pricing services for those U.S. Treasury and federal agency securities to include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications and are reported as a Level 2 measurement. Municipal bonds are valued by a third party using a discounted cash flow model to include coupon, yield, and expected maturity as key inputs and are reported as a Level 2 measurement. Negotiable certificates of deposit are valued at amortized cost, which approximate fair value and are reported as a Level 2 measurement.

Years Ended June 30, 2023 and 2022

Note E. Fair Value Measurements (continued)

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used at June 30, 2023 and 2022.

The following table sets forth by level within the fair value hierarchy, REFB's assets measured at fair value at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments at fair value				
Negotiable certificates of deposit	\$ -	\$ 3,912,109	\$ -	\$ 3,912,109
Government securities	-	8,289,068	-	8,289,068
Mutual funds	3,736,924	-	-	3,736,924
Municipal bonds	-	2,957,787	-	2,957,787
Exchange-traded funds	4,904,207	-	-	4,904,207
Fixed-income securities	1,111,772	-	-	1,111,772
Investments at fair value	\$ 9,752,903	\$15,158,964	\$ -	\$24,911,867

The following table sets forth by level within the fair value hierarchy, REFB's assets measured at fair value at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments at fair value				
Negotiable certificates of deposit	\$ -	\$ 4,605,589	\$ -	\$ 4,605,589
Government securities	-	4,573,871	-	4,573,871
Mutual funds	4,124,406	-	-	4,124,406
Municipal bonds	-	3,345,909	-	3,345,909
Exchange-traded funds	4,358,628	-	-	4,358,628
Fixed-income securities	842,941	-	-	842,941
Investments at fair value	\$ 9,325,975	\$12,525,369	\$ -	\$21,851,344

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. During the years ended June 30, 2023 and 2022, there were no changes to REFB's valuation techniques that had, or are expected to have, a material impact on the financial statements.

Note F. Line of Credit

REFB has a line of credit with a commercial bank allowing for borrowings up to \$5,000,000. The outstanding borrowings bear interest at a rate of 2.50% plus one-month SOFR (7.67% as of June 30, 2023). The line has no expiration date. The line is secured by investments of REFB. No amounts are outstanding under the line of credit as of June 30, 2023.

Years Ended June 30, 2023 and 2022

Note G. Net Assets

Net assets with donor restriction represent amounts received or committed with donor restrictions, which have not yet been expended for their designated purpose (purpose-restricted) or amounts for general use in future periods (time restricted). Net assets consisted of the following:

As of June 30,	2023	2022
With donor restrictions:		
Purpose restricted for:		
Specific programs	\$ 52,531	\$ 71,850
Specific purchases	26,415	38,275
Total net assets with donor restrictions	78,946	110,125
Without donor restrictions:		
Board-designated	4,967,500	4,967,500
Undesignated	45,048,903	43,071,178
Total net assets without donor restrictions	50,016,403	48,038,678
Net assets	\$ 50,095,349	\$ 48,148,803

Net assets were released from donor restriction by incurring expenses that satisfy the restricted purpose, or by occurrence of the passage of time or other events specified by the donor, as follows for the years ended June 30, 2023 and 2022:

Years Ended June 30,	2023	2022
Satisfaction of purpose restrictions:		
Specific programs	\$ 588,584	\$ 862,282
Specific purchases	160,618	479,104
Specific locations	207,930	-
Satisfaction of time restrictions	100,000	-
Total net assets released from restrictions	\$ 1,057,132	\$ 1,341,386

Note H. Endowment Fund and Net Asset Classification

REFB has an established endowment fund to allow for donor-restricted endowment funds and funds designated as endowment (quasi-endowment) by the Board of Directors. REFB's Board of Directors has interpreted the State Uniform Prudent Management of Institutional Funds Act as allowing REFB to appropriate for expenditure or accumulate as much of the endowment fund as REFB determines is prudent for the uses, benefits, purposes, and durations for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. Net assets associated with endowment funds, including funds designated to function as endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of June 30, 2023 and 2022, the endowment consisted of \$4,967,500 of Board-designated endowment funds.

REFB has adopted investment and spending policies that attempt to preserve the endowment's assets. Under these policies, assets are expected to earn an average rate of return in excess of the rate of inflation, as measured by the Consumer Price Index. Actual returns in any given year may vary from this amount.

To achieve its long-term rate of return objectives, REFB relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). REFB targets a diversified asset allocation that includes fixed income and U.S. equity investments as well as cash equivalents to achieve its long-term objectives within prudent risk constraints.

The fair value of assets associated with individual donor-restricted investments may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restriction. As of June 30, 2023 and 2022, the endowment does not include any donor-restricted funds.

Note I. Contributed Nonfinancial Assets

REFB receives donations of food for distribution from the U.S Department of Agriculture through the Commodity Supplemental Food Program (CSFP) and the Emergency Food Assistance Program (EFAP) and others. Contributed nonfinancial assets-food donations recognized in the statement of activities consisted of the following for the years ended June 30:

	2023	2022	Utilization in programs/activities	Donor restrictions	Valuation techniques and inputs
CSFP	\$ 2,944,590	\$ 2,321,376	Food distribution and hunger relief	Program eligibility	Value given by USDA at time of order
EFAP	\$ 3,281,832	\$ 4,464,199	Food distribution and hunger relief	Program requirements	Value given by USDA at time of order
Others	\$29,630,113	\$26,517,168	Food distribution and hunger relief	Program requirements	Valued per pound provided by Feeding America

Note J. 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,	2023	2022
Cash and cash equivalents	\$ 9,711,873	\$ 10,665,778
Grants and other receivables	1,094,486	1,232,727
Investments	24,911,867	21,851,344
	<u>35,718,226</u>	<u>33,749,849</u>
Less donor imposed purpose restrictions unavailable for general expenditure	78,946	110,125
Funds available to meet expenditures within one year with Board's approval	<u>\$ 35,639,280</u>	<u>\$ 33,639,724</u>
Less funds with Board designation	<u>4,967,500</u>	<u>4,967,500</u>
Funds available to management to meet expenditures within one year	<u>\$ 30,671,780</u>	<u>\$ 28,672,224</u>

Note K. Employee Retention Credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, REFB was eligible for a refundable employee retention credit subject to certain criteria. REFB filed for and received a \$1.35 million employee retention credit during the fiscal year ended June 30, 2023, for costs incurred between April 2020 through June 2021. The employee retention credit is shown net of costs in the amount of \$108,000, related to the application process, on the statement of activities.

Note L. Retirement Plan

REFB maintained a Simple IRA deferred compensation retirement plan. Effective January 1, 2022, the Simple IRA converted to a 403(b) retirement plan, that requires matching contributions up to 5% of a participant's eligible compensation. The plan is available to eligible employees upon having completed one month of service. Matching contributions amounted to \$249,969 and \$156,729 for the years ended June 30, 2023 and 2022, respectively.

Note M. Risks and Uncertainties

REFB receives significant assistance from numerous government agencies in the form of contracts and grants. Any interruption of these funding sources could result in a significant impact on REFB's operations. Expenditures of these funds require compliance with the agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of REFB. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of REFB as of June 30, 2023 and 2022.

REFB is currently a defendant in one legal matter. REFB accrued \$575,000 and \$460,000 as a liability in connection with this matter as of June 30, 2023 and 2022, respectively. Management believes this amount will cover any potential loss.

Note N. Subsequent Events

REFB evaluated subsequent events through November 16, 2023 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, 2023

Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Food Distribution Cluster				
Passed through California Department of Social Services				
Commodity Supplemental Food Program - Administration	10.565	000000V496-00	\$ 84,419	\$ 572,267
Commodity Supplemental Food Program - Food Commodities	10.565	000000V496-00	-	2,944,590
Subtotal Commodity Supplemental Food Program			84,419	3,516,857
Passed through California Department of Social Services				
Emergency Food Assistance Program - Administration	10.568	692320-00	-	748,059
Emergency Food Assistance Program - Administration	10.568	MOU-22-00146	-	102,503
Emergency Food Assistance Program - Food Commodities	10.569	MOU-22-00146	-	45,039
Emergency Food Assistance Program - Food Commodities	10.569	692320-00	-	3,281,832
Subtotal Emergency Food Assistance Program			-	4,177,433
Total Food Distribution Cluster			84,419	7,694,290
Child Nutrition Cluster				
Passed through California Department of Education				
Summer Food Service Program for Children - Summer Lunch	10.559	04087-V496-00	-	94,094
Total Child Nutrition Cluster			-	94,094
Passed through California Department of Education				
Child and Adult Care Food Program	10.558	04087-V496-00	-	303,744
Passed through California Department of Social Services				
State Pandemic Electronic Benefit Transfer (P-EBT)				
Administrative Costs Grant	10.649	692320-00	-	104,160
SNAP Cluster				
Passed through Sonoma County Human Services Department				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program		10.561	EA-REFB- CALF-2023	100,000
Total SNAP Cluster			-	100,000
Total U.S. Department of Agriculture			84,419	8,296,288

Redwood Empire Food Bank
Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2023				
Federal Grantor / Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Subtotal from previous page			84,419	8,296,288
U.S. Department of Homeland Security				
Passed through Lake County Human Services Department				
Emergency Food and Shelter National Board Program	97.024	069000-051	-	50,000
Passed through Mendocino County Human Services Department				
Emergency Food and Shelter National Board Program	97.024	076800-030	-	26,437
Passed through Sonoma County Human Services Department				
Emergency Food and Shelter National Board Program	97.024	090800-005	-	80,000
Total U.S. Department of Homeland Security			-	156,437
Total expenditures of federal awards			\$ 84,419	\$ 8,452,725

Year Ended June 30, 2023

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Redwood Empire Food Bank (“REFB”) under programs of the federal government for the year ended June 30, 2023. 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 REFB, it is not intended to and does not present the financial position, changes in net assets, or cash flows of 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. Food Distribution

The amounts reported for the Food Commodities programs represent the dollar value of the U.S. Department of Agriculture (“USDA”) food commodities distributed to REFB during the year. The USDA and other distributors provide the current value of the commodities to compute the amounts reported.

Note D. Indirect Cost Rate

REFB did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

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 the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the notes to the financials statements, and have issued our report thereon dated November 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 REFB's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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)

Independent Auditor's Report (continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 REFB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Puseati & Brinker LLP

Santa Rosa, California
November 16, 2023



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Redwood Empire Food Bank

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 's ("REFB") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of REFB's major federal programs for the year ended June 30, 2023. REFB's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, REFB complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of REFB and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of REFB's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to REFB's federal programs.

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

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on REFB's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about REFB's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding REFB's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of REFB's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of REFB's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

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

Independent Auditor's Report (continued)

Report on Internal Control Over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Piseranti & Brinker LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
November 16, 2023

Year Ended June 30, 2023

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 generally accepted accounting principles: Unmodified

Internal control over financial reporting:

Material weakness identified? No
 Significant deficiency identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No
 Significant deficiency 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:

Federal Assistance Listing Number (s)	Name of Federal Program or Cluster
---------------------------------------	------------------------------------

Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Year Ended June 30, 2023

II. Financial Statement Findings

No matters are reportable

III. Federal Award Findings and Questioned Costs

No matters are reportable

**Redwood Empire Food Bank
Summary Schedule of Prior Audit Findings**

Year Ended June 30, 2023

No matters were reported in the prior year.