



**ALAMEDA COUNTY
COMMUNITY
FOOD BANK**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT
AND REPORTS ON INTERNAL CONTROL AND
COMPLIANCE THEREON**

Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Alameda County Community Food Bank
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of *Alameda County Community Food Bank* (the Food Bank), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

To the Board of Directors
Alameda County Community Food Bank

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Alameda County Community Food Bank* as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Schedule of Other Government Awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015, on our consideration of the Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

Lautre & Lautre

San Francisco, California
October 7, 2015

ALAMEDA COUNTY COMMUNITY FOOD BANK
STATEMENTS OF FINANCIAL POSITION

June 30,

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 2,706,646	\$ 3,690,696
Grants receivable	633,300	771,906
Promises to give	330,000	233,333
Shared maintenance and other receivables	110,388	102,439
Inventory	1,693,854	2,368,146
Prepaid expenses and deposits	121,066	136,032
Investments	4,360,093	3,559,819
Property and equipment, net	10,645,396	10,139,542
Total assets	\$ 20,600,743	\$ 21,001,913
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	445,266	356,911
Accrued compensated absences	314,349	292,646
Deferred revenue	11,455	99,718
Note payable	-	97,500
Total liabilities	771,070	846,775
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	699,773	419,048
Board designated appropriations	8,205,938	9,089,352
Property and equipment, net	10,645,396	10,139,542
Total unrestricted net assets	19,551,107	19,647,942
Temporarily restricted	278,566	507,196
Total net assets	19,829,673	20,155,138
Total liabilities and net assets	\$ 20,600,743	\$ 21,001,913

ALAMEDA COUNTY COMMUNITY FOOD BANK
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Operating activities:			
Support and revenue:			
Government revenue	\$ 2,928,211	\$ -	\$ 2,928,211
Foundation/corporation grants	1,846,647	991,450	2,838,097
Individual contributions	6,943,186	252,483	7,195,669
Special events, gross	738,200	-	738,200
Program revenue	631,164	-	631,164
Interest and other	137,980	-	137,980
Net realized gain on investments	174	-	174
Net assets released from restrictions	1,472,563	(1,472,563)	-
	14,698,125	(228,630)	14,469,495
Expenses:			
Program services:			
Food Distribution	7,610,355	-	7,610,355
Outreach	1,701,208	-	1,701,208
Agency Services	610,737	-	610,737
Nutrition Education	280,967	-	280,967
Hunger Education and Advocacy	495,988	-	495,988
Volunteer program	394,022	-	394,022
	11,093,277	-	11,093,277
Supporting services:			
Resource Development/Fundraising	1,842,109	-	1,842,109
Management and General	988,200	-	988,200
	2,830,309	-	2,830,309
Total expenses	13,923,586	-	13,923,586
Less non-operating revenue	-	228,630	228,630
	774,539	-	774,539
Donated commodities:			
Donated commodities received	48,517,326	-	48,517,326
Donated commodities distributed	(49,335,485)	-	(49,335,485)
	(818,159)	-	(818,159)
Non-operating activities:			
Temporarily restricted revenue	-	(228,630)	(228,630)
Net unrealized loss on investments	(53,215)	-	(53,215)
	(53,215)	(228,630)	(281,845)
Change in net assets	(96,835)	(228,630)	(325,465)
Net assets:			
Beginning of year	19,647,942	507,196	20,155,138
End of year	\$ 19,551,107	\$ 278,566	\$ 19,829,673

ALAMEDA COUNTY COMMUNITY FOOD BANK
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Operating activities:			
Support and revenue:			
Government revenue	\$ 2,479,425	\$ -	\$ 2,479,425
Foundation/corporation grants	1,638,139	1,276,664	2,914,803
Individual contributions	6,518,427	396,780	6,915,207
Special events, gross	625,826	-	625,826
Program revenue	685,837	-	685,837
Interest and other	101,653	-	101,653
Net realized gain on investments	6,546	-	6,546
Net assets released from restrictions	1,307,702	(1,307,702)	-
Total support and revenue	13,363,555	365,742	13,729,297
Expenses:			
Program services:			
Food Distribution	6,843,871	-	6,843,871
Outreach	1,525,232	-	1,525,232
Agency Services	519,719	-	519,719
Nutrition Education	293,445	-	293,445
Hunger Education and Advocacy	468,567	-	468,567
Volunteer program	414,051	-	414,051
Total program services	10,064,885	-	10,064,885
Supporting services:			
Resource Development/Fundraising	1,650,325	-	1,650,325
Management and General	903,390	-	903,390
Total supporting services	2,553,715	-	2,553,715
Total expenses	12,618,600	-	12,618,600
Less non-operating revenue	-	(365,742)	(365,742)
Total operating net income	744,955	-	744,955
Donated commodities:			
Donated commodities received	46,062,286	-	46,062,286
Donated commodities distributed	(45,446,687)	-	(45,446,687)
Net donated commodities	615,599	-	615,599
Non-operating activities:			
Temporarily restricted revenue	-	365,742	365,742
Net unrealized gain on investments	118,447	-	118,447
Net gain on sale of property and equipment	3,076	-	3,076
Total non-operating revenue	121,523	365,742	487,265
Change in net assets	1,482,077	365,742	1,847,819
Net assets:			
Beginning of year	18,165,865	141,454	18,307,319
End of year	\$ 19,647,942	\$ 507,196	\$ 20,155,138

ALAMEDA COUNTY COMMUNITY FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Program Services							Supporting Services			
	Food Distribution	Outreach	Agency Services	Nutrition Education	Hunger Education and Advocacy	Volunteer Program	Total	* Resource Development/ Fundraising	Management and General	Total	Total
Salaries	\$ 1,337,350	\$ 795,255	\$ 274,896	\$ 182,462	\$ 317,038	\$ 219,614	\$ 3,126,615	\$ 674,420	\$ 561,117	\$ 1,235,537	\$ 4,362,152
Payroll taxes	100,106	59,254	20,057	13,337	22,410	16,218	231,382	47,381	39,466	86,847	318,229
Employee benefits	465,454	264,007	76,808	51,308	91,035	79,513	1,028,125	206,693	127,037	333,730	1,361,855
Total personnel costs	1,902,910	1,118,516	371,761	247,107	430,483	315,345	4,386,122	928,494	727,620	1,656,114	6,042,236
Food handling and purchases	3,816,339	-	-	-	-	-	3,816,339	-	-	-	3,816,339
Resource development	36,385	-	-	-	-	-	36,385	648,513	-	648,513	684,898
Vehicles and transportation	636,136	-	-	-	250	-	636,386	-	-	-	636,386
Professional services	207,323	56,334	34,391	11,461	16,638	24,164	350,311	106,338	135,094	241,432	591,743
Depreciation	402,532	25,556	8,000	5,597	6,369	14,559	462,613	15,986	8,662	24,648	487,261
Community and agency services	18,364	178,802	162,657	1,914	1,188	-	362,925	-	-	-	362,925
Education and promotions	1,506	245,771	7,005	-	6,934	15,328	276,544	77,332	6,826	84,158	360,702
Occupancy	239,359	10,680	3,293	2,187	2,292	8,300	266,111	6,915	3,424	10,339	276,450
Equipment	197,460	19,957	5,526	2,238	8,904	2,805	236,890	11,771	8,050	19,821	256,711
Office and administrative	46,778	28,634	10,150	3,476	7,008	5,716	101,762	26,553	65,684	92,237	193,999
Insurance	59,978	1,604	486	312	274	3,640	66,294	1,085	7,661	8,746	75,040
Travel	6,491	8,927	4,410	4,481	10,176	1,314	35,799	5,462	9,932	15,394	51,193
Training and staff development	10,006	6,027	3,058	2,194	5,172	796	27,253	7,929	12,278	20,207	47,460
Dues	28,788	400	-	-	300	2,055	31,543	5,731	2,969	8,700	40,243
Total expenses before donated commodities distributed	7,610,355	1,701,208	610,737	280,967	495,988	394,022	11,093,277	1,842,109	988,200	2,830,309	13,923,586
Donated commodities distributed	49,335,485	-	-	-	-	-	49,335,485	-	-	-	49,335,485
Total expenses	\$ 56,945,840	\$ 1,701,208	\$ 610,737	\$ 280,967	\$ 495,988	\$ 394,022	\$ 60,428,762	\$ 1,842,109	\$ 988,200	\$ 2,830,309	\$ 63,259,071

* Includes special event expenses of \$86,987.

ALAMEDA COUNTY COMMUNITY FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Services						Supporting Services				
	Food Distribution	Outreach	Agency Services	Nutrition Education	Hunger Education and Advocacy	Volunteer Program	Total	* Resource Development/ Fundraising	Management and General	Total	Total
Salaries	\$ 1,291,452	\$ 773,077	\$ 279,020	\$ 194,694	\$ 290,452	\$ 222,153	\$ 3,050,848	\$ 601,941	\$ 460,836	\$ 1,062,777	\$ 4,113,625
Payroll taxes	95,562	56,963	20,947	14,424	20,891	16,434	225,221	43,319	33,308	76,627	301,848
Employee benefits	454,877	240,163	83,213	49,548	82,526	84,158	994,485	176,327	112,086	288,413	1,282,898
Total personnel costs	1,841,891	1,070,203	383,180	258,666	393,869	322,745	4,270,554	821,587	606,230	1,427,817	5,698,371
Food handling and purchases	3,227,481	-	-	-	-	-	3,227,481	-	-	-	3,227,481
Resource development	31,501	-	-	-	-	-	31,501	602,022	-	602,022	633,523
Vehicles and transportation	613,518	-	-	-	500	-	614,018	-	-	-	614,018
Professional services	136,813	73,139	32,248	7,302	27,070	30,769	307,341	82,709	196,138	278,847	586,188
Depreciation	424,292	25,535	8,143	5,192	6,654	16,089	485,905	15,632	8,936	24,568	510,473
Education and promotions	8,493	208,782	476	-	9,869	21,752	249,372	53,943	5,650	59,593	308,965
Occupancy	235,510	12,162	3,814	2,403	2,956	8,779	265,624	7,602	6,597	14,199	279,823
Equipment	175,405	30,413	3,370	1,797	5,530	3,322	219,837	10,620	4,226	14,846	234,683
Office and administrative	47,565	37,718	7,609	3,217	7,378	5,380	108,867	23,451	51,231	74,682	183,549
Community and agency services	2,644	53,621	72,428	6,834	2,296	-	137,823	503	-	503	138,326
Insurance	53,878	1,553	471	302	265	3,519	59,988	1,050	6,528	7,578	67,566
Travel	6,778	8,681	3,774	5,485	7,748	444	32,910	8,193	9,284	17,477	50,387
Training and staff development	5,324	3,135	4,206	2,247	4,132	1,197	20,241	17,691	5,959	23,650	43,891
Dues	32,778	290	-	-	300	55	33,423	5,322	2,611	7,933	41,356
Total expenses before donated commodities distributed	6,843,871	1,525,232	519,719	293,445	468,567	414,051	10,064,885	1,650,325	903,390	2,553,715	12,618,600
Donated commodities distributed	45,446,687	-	-	-	-	-	45,446,687	-	-	-	45,446,687
Total expenses	\$ 52,290,558	\$ 1,525,232	\$ 519,719	\$ 293,445	\$ 468,567	\$ 414,051	\$ 55,511,572	\$ 1,650,325	\$ 903,390	\$ 2,553,715	\$ 58,065,287

* Includes special event expenses of \$95,992.

ALAMEDA COUNTY COMMUNITY FOOD BANK

STATEMENTS OF CASH FLOWS

Years Ended June 30,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (325,465)	\$ 1,847,819
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	53,041	(124,993)
Stock donation	(321,959)	(456,876)
Donated vehicle received	-	(50,000)
Depreciation	487,261	510,473
Net gain on sale of property and equipment	-	(3,076)
Donated commodities received	(48,517,326)	(46,062,286)
Donated commodities distributed	49,335,485	45,446,687
(Increase) decrease in assets:		
Grants receivable	138,606	(567,064)
Promises to give	(96,667)	(215,833)
Shared maintenance and other receivables	(7,949)	(31,953)
Inventory	(143,867)	(13,475)
Prepaid expenses and deposits	14,966	(4,154)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	88,355	121,929
Accrued compensated absences	21,703	25,527
Deferred revenue	(88,263)	86,406
	<u>637,921</u>	<u>509,131</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(1,048,396)	(285,095)
Proceeds from sale of investments	517,040	1,561,632
Purchase of property and equipment	(993,115)	(1,303,782)
Proceeds from sale property and equipment	-	3,076
	<u>(1,524,471)</u>	<u>(24,169)</u>
Net cash used by investing activities		
Cash flows from financing activities:		
Payment on note payable	(97,500)	-
	<u>(97,500)</u>	<u>-</u>
Net cash used by financing activities		
Net increase (decrease) in cash and cash equivalents	(984,050)	484,962
Cash and cash equivalents:		
Beginning of year	<u>3,690,696</u>	<u>3,205,734</u>
End of year	<u>\$ 2,706,646</u>	<u>\$ 3,690,696</u>

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

Alameda County Community Food Bank (the Food Bank) is a California not-for-profit public benefit corporation founded in 1985. The Food Bank distributes food through a network of 240 strategically placed member agencies – food pantries, soup kitchens, child-care centers, senior centers, after-school programs, and other community based organizations.

The Food Bank’s mission statement: Alameda County Community Food Bank passionately pursues a hunger-free community.

The Food Bank’s vision statement: Children, adults, and seniors of Alameda County do not worry about where their next meal is coming from.

Program Services

Food Distribution - As Alameda County’s central clearinghouse for donated, surplus and purchased food for nonprofit agencies, the Food Bank distributed 32.0 million pounds of food including 17.8 million pounds of fresh fruits and vegetables in the 2015 fiscal year (29.0 million pounds of food including 16.7 million of fresh fruits and vegetables in the 2014 fiscal year). The food distribution program includes various programs such as the Children’s Back Pack Program and other government programs.

Outreach - The Food Bank’s systematic approach to alleviating hunger includes: 1) The Food Bank’s multilingual Emergency Food Helpline is one of California’s most efficient and busiest food referral systems. Since 1994, callers have been able to receive a same-day bag of food or hot meal at a location in or near their neighborhood; 2) The Food Bank’s CalFresh (formerly known as Food Stamp) Outreach program, which pioneered a pre-screening program that quickly gauges a potential recipient’s eligibility, serves as the blueprint for programs across the nation. The Food Bank’s CalFresh Outreach staff helps clients complete the application process and work through the Alameda County Social Services Agency to submit the application.

Agency Services - The Food Bank supports its 240 member agencies in managing government food programs, securing government funding, and adhering to related contracts. The Food Bank assists member agencies in food safety, equipment procurement, and other operational functions.

Nutrition Education - The Food Bank supports its member agencies and clients through nutrition education services, which are designed to help member agencies and clients utilize the wide variety of products, including farm fresh fruits and vegetables that are often new to clients. Services include educational classes, nutrition materials, recipes, cooking classes, and taste testing demos to encourage and support healthful eating. Nutrition education services also help clients maximize their other food resources to bring healthy choices to their families.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purpose and Organization (Continued)

Program Services (continued)

Hunger Education and Advocacy - The Food Bank's hunger education and advocacy efforts continue to provide a voice for tens of thousands of Alameda County residents who face food insecurity. The Food Bank's staff meets with legislators, grassroots anti-hunger advocates, and other advocacy partners regularly. The program promotes policies to benefit low-income residents such as eliminating the fingerprinting requirement for recipients of CalFresh.

Volunteer Program - Volunteer resources are an integral part of food distribution, particularly in the packaging of fresh produce, bagging children's food bags, and sorting donated food. Volunteers are also utilized for the helpline, office assistance, advocacy, and events. During the years ended June 30, 2015 and 2014, volunteer hours were equivalent to 44 full-time employees and 45 full-time employees, respectively. Volunteer hours of 86,405 decreased 2% during the year ended June 30, 2015 (88,072 volunteer hours in 2014).

The Food Bank's major sources of financial and in-kind support consist of federal funds (passed through by the County of Alameda), foundations and corporations, individuals, United States Department of Agriculture (USDA) commodities program, and other governmental entities. A small amount of revenue is earned from fees charged to member organizations that receive food distributions. Both revenue and expenses increased this year as the Food Bank continued to increase its capacity and activity to meet demand. Distributed pounds of food increased 11% and 9% during the years ended June 30, 2015 and 2014, respectively. The Food Bank continues to grow its new mobile pantry program where the Food Bank distributes food directly at schools or other neighborhood centers in need. The Food Bank continued subsidies for purchased shelf-stable food items as a means to further support its member agencies and the community. The Food Bank also invested in the agency network capacity building through in-kind grants of equipment and its annual agency conference. The CalFresh Outreach program also continued to grow with a 38% increase in applications submitted to 4,623 during the year ended June 30, 2015 (3,346 in 2014).

Basis of Accounting

The Food Bank prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

U.S GAAP requires that the Food Bank report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Accordingly, the net assets of the Food Bank are classified and reported as described below:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support the Food Bank's operations. A portion of these net assets may be designated by the Board of Directors for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; (b) investment for a specified term; (c) use in a specified future period; or (d) acquiring of long-lived assets.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2015 and 2014, and for the years then ended, the Food Bank did not have net assets meeting the definition of permanently restricted.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Cash and Cash Equivalents

The Food Bank considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable represent uncollateralized obligations related to the Food Bank's grant contracts. Grants receivable are due under the terms of the grant agreements.

The Food Bank uses the allowance method to account for uncollectible grants receivables. The allowance is based on prior years' experience and management's analysis of specific grants.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

The Food Bank uses the allowance method to account for uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventory

Purchased inventories are recorded at cost and consist of food products purchased by the Food Bank and related to both grant and non-grant funded purchases. Purchased inventory is expensed when the food is distributed. The Food Bank receives, sorts, stores, and distributes donated commodities from various sources and the USDA commodities program. Feeding America, the national food bank network which sets the standards for fiscal operations of food banks, valued both USDA and non-USDA commodities at \$1.70 and \$1.72 per pound for the years ended June 30, 2015 and 2014, respectively. The donated commodities distributed includes spoilage and shrinkage for the years ended June 30, 2015 and 2014, of \$1,015,880 and \$1,122,926 for non-USDA items and \$0 and \$129 for USDA items, respectively. The total spoilage and shrinkage represents 2.1% and 2.5% of the total costs and pounds of food distributed June 30, 2015 and 2014, respectively.

Investments

Marketable investments in equity and debt securities are carried at fair value based upon quoted market prices.

The Food Bank's Oversight Committee is responsible for establishing investment criteria and overseeing the Food Bank's investments.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Food Bank capitalizes acquisitions of property and equipment with a cost or value in excess of \$1,000 and with an estimated useful life beyond one year. Purchased assets are recorded at cost; donated assets are recorded at estimated fair value or appraised value at the date of acquisition. Depreciation is calculated using the straight-line method based upon estimated useful lives ranging from 5 to 39 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities.

Deferred Revenue

Deferred revenue represents the excess of advances from granting agencies under contracts for services over the related expenditures.

Revenue Recognition

Grants

The Food Bank is a sub-recipient of several federal and state grants and generally recognizes revenue on a cost reimbursement basis.

Contributions

The Food Bank recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as either temporarily restricted or permanently restricted support, depending upon the type of restriction.

The satisfaction of a donor-imposed restriction on a contribution is recognized when the corresponding expenditures are incurred or when the time restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities. Such transactions are recorded as *net assets released from restrictions* and are reported separately from other transactions.

Contributed Goods and Services

Donated material and equipment are recorded as contributions at their estimated value on the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributed Goods and Services (continued)

The Food Bank records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated.

The Food Bank received and utilized donated goods and services primarily representing mobile phones, auction event items, and professional services totaling \$209,191 and \$181,171 during the years ended June 30, 2015 and 2014, respectively.

The Food Bank regularly utilizes the services of volunteers. The Food Bank volunteers donated 86,405 hours in 2015 and 88,072 hours in 2014. The value of these services is not reflected in these financial statements because the services received do not create or enhance non-financial assets and do not require specialized skills. The Food Bank estimates that the value of these services is worth approximately \$2.0 million at \$23.07 per hour for the year ended June 30, 2015 (approximately \$2.0 million at \$22.55 per hour in 2014). This valuation is based on the average hourly earnings of all production and nonsupervisory workers on private nonfarm payrolls (as determined by the Bureau of Labor Statistics) and adjusted for fringe benefits.

Investment Income

Realized and unrealized gains and losses and investment income (losses) derived from investment transactions are included as income in the year earned.

Advertising

The costs of advertising are charged to expense as incurred. Advertising expense was \$285,360 and \$234,247 for the years ended June 30, 2015 and 2014, respectively. The majority of the advertising expense is related to the CalFresh outreach program.

Income Taxes

The Food Bank is a qualified organization exempt from federal income taxes and state franchise taxes under §501(c)(3) of the Internal Revenue Code (IRC) and §23701d of the California Revenue and Taxation Code, respectively.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Food Bank has adopted the accounting standard on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. For tax exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status.

The Food Bank's evaluation on June 30, 2015, revealed no tax positions that would have a material impact on the financial statements. The 2011 through 2014 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2010 through 2014 tax years remain subject to examination by the California Franchise Tax Board. The Food Bank does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Financial Instruments

Financial instruments which potentially subject the Food Bank to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Food Bank maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. The Food Bank has not experienced any losses in such accounts. The Food Bank attempts to limit its credit risk associated with cash equivalents and investments by utilizing outside investment managers to place the Food Bank's investments with highly rated corporate and financial institutions. Management believes that the Food Bank is not exposed to any significant credit risk related to concentrations.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses by major Food Bank programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time, square footage, and poundage of food distributed by each program.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued new guidance, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and its international counterpart, IFRS 15, to provide sweeping, new, globally applicable converged guidance concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. The FASB also issued ASU 2015-14 which deferred the effective date. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management is evaluating the impact of this new guidance.

2. FAIR VALUE MEASUREMENTS

The Food Bank's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Food Bank's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

2. FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value:

Municipal Bonds: The fair value of municipal bonds is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond or credit-default swap spreads and volatility. These bonds are generally categorized in Level 2 of the fair value hierarchy.

Equity Securities and Mutual Funds: Equity securities and mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. The Food Bank's interests in such investments are categorized as corporate stock/equity funds, money market funds, corporate bond funds and government obligation funds. Such securities are classified within Level 1 of the valuation hierarchy.

The following table provides information about the Food Bank's financial assets measured at fair value on a recurring basis as of June 30:

	<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal bonds	\$ 2,364,512	\$ -	\$ 2,364,512	\$ -
Mutual funds:				
Short-term bond	704,943	704,943	-	-
World bond	668,767	668,767	-	-
Blend	206,274	206,274	-	-
Large value	175,274	175,274	-	-
Foreign large value	80,922	80,922	-	-
Real estate	59,210	59,210	-	-
Foreign small/mid value	43,365	43,365	-	-
Diversified emerging market	32,596	32,596	-	-
Domestic small/mid value	24,230	24,230	-	-
	<u>\$ 4,360,093</u>	<u>\$ 1,995,581</u>	<u>\$ 2,364,512</u>	<u>\$ -</u>

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

2. FAIR VALUE MEASUREMENTS (CONTINUED)

	<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal bonds	\$ 1,611,900	\$ -	\$ 1,611,900	\$ -
Mutual funds:				
Short-term bond	697,035	697,035	-	-
World bond	665,068	665,068	-	-
Blend	192,454	192,454	-	-
Large value	166,402	166,402	-	-
Foreign large value	82,232	82,232	-	-
Foreign small/mid value	46,618	46,618	-	-
Real estate	43,039	43,039	-	-
Diversified emerging market	35,147	35,147	-	-
Domestic small/mid value	19,924	19,924	-	-
	<u>\$ 3,559,819</u>	<u>\$ 1,947,919</u>	<u>\$ 1,611,900</u>	<u>\$ -</u>

There were no transfers amongst levels of the fair value hierarchy during the years ended June 30, 2015 and 2014.

3. PROMISES TO GIVE

Unconditional promises are all due in less than one year at June 30, 2015 and 2014. All promises to give are stated at their present values.

One donor comprised 100% of the promises to give at June 30, 2015 and three donors comprised the balance at June 30, 2014, with outstanding balances ranging from 21% to 43% of the total.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

4. INVENTORY

Inventory consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Government commodities	\$ 829,291	\$ 1,412,201
Donated food	528,708	763,955
Purchased food	<u>335,855</u>	<u>191,990</u>
	<u>\$ 1,693,854</u>	<u>\$ 2,368,146</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 10,307,770	\$ 9,599,504
Land	2,540,575	2,522,082
Vehicles	736,975	733,802
Office furniture and equipment	489,707	487,113
Warehouse equipment	<u>197,375</u>	<u>185,886</u>
	14,272,402	13,528,387
Less accumulated depreciation	<u>(4,066,617)</u>	<u>(3,589,888)</u>
	10,205,785	9,938,499
Construction in progress	<u>439,611</u>	<u>201,043</u>
	<u>\$ 10,645,396</u>	<u>\$ 10,139,542</u>

During the year ended June 30, 2014, the Food Bank purchased land for a parking lot. During the year ended June 30, 2015, the purchased land was graded and paved to provide enough parking for staff and volunteers. Construction of the parking lot was completed in March 2015.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

6. NOTE PAYABLE

On August 30, 2013, the Food Bank signed an unsecured \$97,500 promissory note to Edgewater Holdings, LLC to partially fund the purchase of land. The note bears interest at the monthly applicable federal rate, with interest only payable monthly. The principal and any unpaid interest are payable in full on March 4, 2019. The balance of this note was \$97,500 at June 30, 2014. The note was paid off in full during the year ended June 30, 2015.

7. UNRESTRICTED BOARD DESIGNATED APPROPRIATIONS

Unrestricted board designated appropriations at June 30 are as follows:

	2015	2014
Operating reserve	\$ 4,478,775	\$ 4,126,262
Capital improvements	2,033,309	1,794,944
Inventory	1,693,854	2,368,146
Capacity building	-	800,000
	\$ 8,205,938	\$ 9,089,352

The Food Bank's Net Assets and Reserves Policy established the following reserves:

Operating - Reserve equals three to six months operating expenses excluding depreciation. At June 30, 2015 and 2014, the operating reserve represents 4.1 months and 3.8 months of operating expense excluding depreciation, respectively.

Inventory - Reserve equals to the fiscal year ending inventory balance.

Capital Improvements - Reserve equals to 50% of the fiscal year accumulated depreciation.

Capacity Building - As of June 30, 2014, the \$800,000 in Capacity Building was related to the construction of the parking lot.

The \$96,853 decrease in total unrestricted net assets is primarily due to the decrease in donated inventory. Due to timing of shipments of government commodities and donated food, the Food Bank received additional inventory at the end of fiscal year 2014 that it distributed in fiscal year 2015. This decrease in inventory was offset by an increase in net operating income due to one-time gifts from bequest of \$680,573.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, may be expended for:

	<u>2015</u>	<u>2014</u>
Food purchases and distribution	\$ 152,568	\$ 156,878
Other food distribution and agency capacity	53,568	5,000
Healthy Cities program	40,054	181,472
Advocacy	25,000	24,750
Organizational development and research	7,376	21,869
CalFresh Outreach	-	32,506
Nutrition Education	-	1,388
Healthy Cities program - inherent time restriction	-	83,333
	<u>\$ 278,566</u>	<u>\$ 507,196</u>

9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the years ended June 30, as follows:

	<u>2015</u>	<u>2014</u>
Food purchases and distribution	\$ 983,243	\$ 1,037,620
Healthy Cities program	198,672	85,195
Organizational development and research	114,494	28,131
Other food distribution and agency capacity	69,010	30,000
CalFresh Outreach	40,506	17,494
Vehicle	35,500	95,000
Advocacy	29,750	2,250
Nutrition Education	1,388	12,012
	<u>\$ 1,472,563</u>	<u>\$ 1,307,702</u>

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

10. RETIREMENT PLAN

The Food Bank maintains an IRC §403(b) plan (the Plan) for its employees. The Plan is available to all full-time employees. The Food Bank contributes up to \$910 a year for each eligible employee who has provided a minimum of one year of service to the Food Bank. The Food Bank also matches an employee's voluntary contribution up to 5% of the employee's compensation. A participant is at all times 100% vested in the amounts in his or her Employee Contribution Account, and will be 100% vested in the Employer Contribution Account after three years of service. Total Food Bank contributions made for the years ended June 30, 2015 and 2014, were \$175,107 and \$167,935, respectively.

11. COMMITMENTS AND CONTINGENCIES

Lease

The Food Bank is obligated under several non-cancelable operating leases for its equipment.

The following is a schedule of minimum lease commitments for the years ending June 30:

2016	\$ 38,995
2017	26,281
2018	19,785
2019	19,296
2020	<u>5,570</u>
	<u>\$ 109,927</u>

Lease expense for the years ended June 30, 2015 and 2014, was \$66,460 and \$65,997, respectively.

Contingencies

The Food Bank has a contractual agreement with Feeding America. The agreement improves the capacity of the Food Bank to provide solutions to the problem of hunger in America. Under the terms of the agreement, the Food Bank is required to maintain certain financial covenants, which it complied with as of June 30, 2015 and 2014, and for the years then ended. The Food Bank can terminate the agreement by a written notice 30 days in advance subject to the termination provisions as defined by the agreement. Feeding America can terminate the agreement with cause as provided by the compliance standards per the agreement.

ALAMEDA COUNTY COMMUNITY FOOD BANK
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingencies (Continued)

The Food Bank receives support from federal, state and local sources under reimbursable programs. Reimbursements under these programs are subject to final audits which could result in the repayment of support recorded. In the opinion of management, the Food Bank has complied with all of the conditions of its grants and contracts for services and no material liabilities would result from any such audit.

12. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the years ended June 30, 2015 and 2014, the Food Bank paid interest in the amount of \$1,179 and \$595, respectively.

During the year ended June 30, 2014, the Food Bank acquired land by securing a note for \$97,500.

13. SUBSEQUENT EVENTS

The Food Bank has evaluated all subsequent events through October 7, 2015, the date the financial statements were available to be issued.

ALAMEDA COUNTY COMMUNITY FOOD BANK

SUPPLEMENTARY FINANCIAL INFORMATION

Year Ended June 30, 2015

ALAMEDA COUNTY COMMUNITY FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass - through Grantor Program Title	Federal CFDA Number	Grantor/ Pass - through Grant Number	Total Federal Disbursements/ Expenditures
<u>Community Development Block Grants/Entitlement Grants</u>			
U.S. Department of Housing and Urban Development			
Pass - through programs from:			
City of Oakland - Community Economic Grant	14.218	Resolution No. 84344	\$ 20,000
<u>Emergency Food and Shelter National Board</u>			
U.S. Department of Homeland Security			
Pass - through programs from:			
Federal Emergency Management Agency - UW-Emergency Food and Shelter Program	97.024	Phase 32	90,000
<u>Food Distribution Cluster</u>			
U.S. Department of Agriculture			
Pass - through programs from:			
California Department of Social Services - Emergency Food Assistance Program	10.568	MOU# 10-6024	156,046 *
Emergency Food Assistance Program - Supplemental	10.568	MOU# 10-6024	26,542 *
USDA Food Commodities	10.569	MOU# 10-6024	6,600,484 *
Total Food Distribution Cluster			6,783,072
<u>Supplemental Nutrition Assistant Program Cluster</u>			
U.S. Department of Agriculture			
Pass - through programs from:			
County of Alameda Social Services Agency - CalFresh Advocacy and Outreach Program	10.561	Board PO# 11533-9528	45,266 *
CalFresh Advocacy and Outreach Program	10.561	Board PO# 12448-10991	560,697 *
Get Fresh Stay Healthy Program	10.561	Board PO# 11824-9749	7,433 *
Get Fresh Stay Healthy Program	10.561	Board PO# 12656-11202	39,406 *
			652,802
California Department of Public Health - CalFresh Outreach Program	10.561	MOU# 12-0121	31,163 *
CalFresh Outreach Program	10.561	MOU# 14-3035	75,878 *
			107,041
Total Supplemental Nutrition Assistant Program Cluster			759,843
Total expenditures of federal awards			\$ 7,652,915

* Major program

Basis of Accounting and Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Alameda County Community Food Bank and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Pass - through Grants to Subrecipients:

The federal expenditures for the Emergency Food Assistance Program include grants to subrecipients totaling \$6,600,484.

ALAMEDA COUNTY COMMUNITY FOOD BANK
SCHEDULE OF OTHER GOVERNMENT AWARDS
Year Ended June 30, 2015

<u>Grantor/Pass - through Grantor Program Title</u>	<u>Contract Number</u>	<u>Exhibit Number</u>	<u>Contract Amount</u>	<u>Contract Period</u>	<u>Total Disbursements/ Expenditures</u>
<u>State of California - Health and Human Services Agency</u>					
<u>Department of Social Services</u>					
State Emergency Food Assistance Program	10-6024		\$ 28,236	7/1/14 - 6/30/15	\$ 28,236
Emergency Food Assistance Program					
Tax Check-off	10-6024		16,275	7/1/14 - 6/30/15	16,275
			<u>44,511</u>		<u>44,511</u>
<u>County of Alameda Social Services Agency</u>					
Emergency Food and Surplus Food Distribution Program	12261	10808	1,066,369	7/1/14 - 6/30/15	1,066,369
CalFresh Advocacy and Outreach	11533	9528	447,197	7/1/13 - 9/30/14	45,266
CalFresh Advocacy and Outreach	12448	10991	622,233	7/1/14 - 6/30/15	560,697
			<u>2,135,799</u>		<u>1,672,332</u>
<u>City of Hayward Social Services</u>					
Food Distribution Food Purchase Program	13-106		21,000	7/1/14 - 6/30/15	21,000
<u>City of Oakland Department of Human Services</u>					
Hunger Relief Food Purchasing	85112		145,000	7/1/14 - 6/30/15	137,939
Total expenditures of other government awards			<u>\$ 2,346,310</u>		<u>\$ 1,875,782</u>



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**INDEPENDENT AUDITOR'S 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**

To the Board of Directors of
Alameda County Community Food Bank
Oakland, California

We have audited, in accordance with the 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 *Alameda County Community Food Bank* (the Food Bank), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

To the Board of Directors of
Alameda County Community Food Bank

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lautze & Lautze

San Francisco, California
October 7, 2015



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
Alameda County Community Food Bank
Oakland, California

Report on Compliance for Each Major Federal Program

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Food Bank'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Food Bank's compliance.

To the Board of Directors of
Alameda County Community Food Bank

Opinion on Each Major Federal Program

In our opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lautze & Lautze

San Francisco, California
October 7, 2015

ALAMEDA COUNTY COMMUNITY FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

ALAMEDA COUNTY COMMUNITY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified:	No
Significant deficiency (ies) identified that are not considered to be material weaknesses:	None reported
Noncompliance material to financial statements:	No

Federal Awards

Internal control over major programs:	
Material weakness (es) identified:	No
Significant deficiency (ies) identified that are not considered to be material weaknesses:	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 501(a) of Circular A-133:	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program/Cluster</u>
10.568	U.S. Department of Agriculture, California Department of Social Services - Emergency Food Assistance Program (Food Distribution Cluster)
10.568	U.S. Department of Agriculture, California Department of Social Services - Emergency Food Assistance Program - Supplemental (Food Distribution Cluster)

ALAMEDA COUNTY COMMUNITY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS (Continued)

Identification of major programs (continued):

<u>CFDA Number</u>	<u>Name of Federal Program/Cluster</u>
10.569	U.S. Department of Agriculture, California Department of Social Services - USDA Food Commodities (Food Distribution Cluster)
10.561	U.S. Department of Agriculture, County of Alameda Social Services Agency - CalFresh Advocacy and Outreach Program (Supplemental Nutrition Assistant Program Cluster)
10.561	U.S. Department of Agriculture, County of Alameda Social Services Agency - Get Fresh Stay Healthy Program (Supplemental Nutrition Assistant Program Cluster)
10.561	U.S. Department of Agriculture, California Department of Public Health - CalFresh Outreach Program (Supplemental Nutrition Assistant Program Cluster)

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

Auditee qualified as low-risk auditee: Yes

SECTION II – FINANCIAL STATEMENT FINDINGS No matters reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS No matters reported.

SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS There were no prior year findings.

SECTION V – CORRECTIVE ACTIVE PLAN N/A

ALAMEDA COUNTY COMMUNITY FOOD BANK
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2015

There were no audit findings that must be reported in accordance with OMB Circular A-133 for the year ended June 30, 2014.