



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY FINANCIAL INFORMATION**

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

ALAMEDA COUNTY COMMUNITY FOOD BANK

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Alameda County Community Food Bank

Report on the Financial Statements

We have audited the accompanying financial statements of Alameda County Community Food Bank (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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.

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the 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 Schedule of Expenditures of Federal Awards and the Schedule of Other Government Awards are 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 September 28, 2017, on our consideration of Alameda County Community 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 Alameda County Community Food Bank's internal control over financial reporting and compliance.

Marcum LLP

San Francisco, California
September 28, 2017

ALAMEDA COUNTY COMMUNITY FOOD BANK

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 4,698,816	\$ 3,985,736
Grants receivable	937,334	574,500
Promises to give, net	1,548,000	444,619
Program revenue and other receivables	60,367	61,112
Inventory	1,830,830	2,183,390
Prepaid expenses and deposits	202,154	151,119
Investments	4,440,856	4,391,322
Property and equipment, net	<u>10,398,833</u>	<u>10,557,023</u>
Total Assets	<u>\$ 24,117,190</u>	<u>\$ 22,348,821</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 523,057	\$ 594,496
Accrued compensated absences	370,280	331,726
Deferred revenue	<u>80,783</u>	<u>102,036</u>
Total Liabilities	<u>974,120</u>	<u>1,028,258</u>
Net Assets		
Unrestricted:		
Undesignated	303,881	553,263
Board designated	10,177,974	9,175,614
Property and equipment, net	<u>10,398,833</u>	<u>10,557,023</u>
Total Unrestricted Net Assets	20,880,688	20,285,900
Temporarily restricted	<u>2,262,382</u>	<u>1,034,663</u>
Total Net Assets	<u>23,143,070</u>	<u>21,320,563</u>
Total Liabilities and Net Assets	<u>\$ 24,117,190</u>	<u>\$ 22,348,821</u>

The accompanying notes are an integral part of these financial statements.

ALAMEDA COUNTY COMMUNITY FOOD BANK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Operating Activities			
Support and Revenue			
Government revenue	\$ 3,299,757	\$ --	\$ 3,299,757
Foundation/corporation grants	3,112,743	2,861,459	5,974,202
Individual contributions	7,345,588	422,886	7,768,474
Special events, gross	839,407	--	839,407
Program revenue	658,491	--	658,491
Interest and other	163,085	--	163,085
Net realized gain on investments	766	--	766
Net assets released from restrictions	<u>2,056,626</u>	<u>(2,056,626)</u>	<u>--</u>
Total Support and Revenue	<u>17,476,463</u>	<u>1,227,719</u>	<u>18,704,182</u>
Expenses			
Program Services			
Food distribution	8,370,698	--	8,370,698
Outreach	1,854,041	--	1,854,041
Agency services	816,940	--	816,940
Nutrition programs	236,671	--	236,671
Community awareness, engagement and advocacy	1,024,794	--	1,024,794
Volunteer program	<u>494,276</u>	<u>--</u>	<u>494,276</u>
Total Program Services	<u>12,797,420</u>	<u>--</u>	<u>12,797,420</u>
Infrastructure and Supporting Services			
Resource development/fundraising	2,354,769	--	2,354,769
Management and general	<u>1,422,412</u>	<u>--</u>	<u>1,422,412</u>
Total Infrastructure and Supporting Services	<u>3,777,181</u>	<u>--</u>	<u>3,777,181</u>
Total Expenses	<u>16,574,601</u>	<u>--</u>	<u>16,574,601</u>
Total Operating Net Income	<u>901,862</u>	<u>1,227,719</u>	<u>2,129,581</u>
Donated Commodities			
Donated commodities received	57,078,227	--	57,078,227
Donated commodities distributed	<u>(57,370,301)</u>	<u>--</u>	<u>(57,370,301)</u>
Net Donated Commodities	<u>(292,074)</u>	<u>--</u>	<u>(292,074)</u>
Non-Operating Activities			
Loss on disposal of equipment	(3,096)	--	(3,096)
Net unrealized loss on investments	<u>(11,904)</u>	<u>--</u>	<u>(11,904)</u>
Total Non-Operating Revenue	<u>(15,000)</u>	<u>--</u>	<u>(15,000)</u>
Change in Net Assets	594,788	1,227,719	1,822,507
Net Assets - Beginning	<u>20,285,900</u>	<u>1,034,663</u>	<u>21,320,563</u>
Net Assets - Ending	<u>\$ 20,880,688</u>	<u>\$ 2,262,382</u>	<u>\$ 23,143,070</u>

The accompanying notes are an integral part of these financial statements.

ALAMEDA COUNTY COMMUNITY FOOD BANK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Operating Activities			
Support and Revenue			
Government revenue	\$ 3,116,661	\$ --	\$ 3,116,661
Foundation/corporation grants	1,917,761	2,225,761	4,143,522
Individual contributions	7,292,530	317,723	7,610,253
Special events, gross	854,398	--	854,398
Program revenue	707,136	--	707,136
Interest and other	147,990	--	147,990
Net realized loss on investments	(319)	--	(319)
Net assets released from restrictions	1,787,387	(1,787,387)	--
Total Support and Revenue	<u>15,823,544</u>	<u>756,097</u>	<u>16,579,641</u>
Expenses			
Program Services			
Food distribution	8,006,996	--	8,006,996
Outreach	1,867,182	--	1,867,182
Agency services	543,831	--	543,831
Nutrition programs	274,915	--	274,915
Community awareness, engagement and advocacy	770,593	--	770,593
Volunteer program	473,588	--	473,588
Total Program Services	<u>11,937,105</u>	<u>--</u>	<u>11,937,105</u>
Infrastructure and Supporting Services			
Resource development/fundraising	2,309,573	--	2,309,573
Management and general	1,301,808	--	1,301,808
Total Infrastructure and Supporting Services	<u>3,611,381</u>	<u>--</u>	<u>3,611,381</u>
Total Expenses	<u>15,548,486</u>	<u>--</u>	<u>15,548,486</u>
Total Operating Net Income	<u>275,058</u>	<u>756,097</u>	<u>1,031,155</u>
Donated Commodities			
Donated commodities received	52,645,907	--	52,645,907
Donated commodities distributed	(52,174,761)	--	(52,174,761)
Net Donated Commodities	<u>471,146</u>	<u>--</u>	<u>471,146</u>
Non-Operating Activities			
Net unrealized loss on investments	(11,411)	--	(11,411)
Total Non-Operating Loss	<u>(11,411)</u>	<u>--</u>	<u>(11,411)</u>
Change in Net Assets	734,793	756,097	1,490,890
Net Assets - Beginning	19,551,107	278,566	19,829,673
Net Assets - Ending	<u>\$ 20,285,900</u>	<u>\$ 1,034,663</u>	<u>\$ 21,320,563</u>

The accompanying notes are an integral part of these financial statements.

ALAMEDA COUNTY COMMUNITY FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Services						Infrastructure and Supporting Services				
	Food Distribution	Outreach	Agency Services	Nutrition Programs	Community Awareness and Advocacy	Volunteer Program	Total	* Resource Development/ Fundraising	Management and General	Total	Total
Salaries	\$ 1,718,660	\$ 849,565	\$ 498,641	\$ 148,986	\$ 678,474	\$ 270,116	\$ 4,164,442	\$ 975,218	\$ 795,930	\$ 1,771,148	\$ 5,935,590
Payroll taxes	126,125	64,674	35,816	11,853	48,225	19,531	306,224	69,553	55,701	125,254	431,478
Employee benefits	578,303	266,840	103,237	40,077	163,098	83,063	1,234,618	222,717	211,060	433,777	1,668,395
Total Personnel Costs	2,423,088	1,181,079	637,694	200,916	889,797	372,710	5,705,284	1,267,488	1,062,691	2,330,179	8,035,463
Food handling and purchases	4,053,265	--	--	--	--	--	4,053,265	--	--	--	4,053,265
Resource development	43,182	--	--	--	--	--	43,182	687,175	--	687,175	730,357
Vehicles and transportation	691,969	--	--	--	1,650	--	693,619	--	--	--	693,619
Professional services	142,258	108,303	63,778	9,044	29,356	16,666	369,405	122,071	176,807	298,878	668,283
Depreciation	396,752	40,856	15,712	7,203	19,862	37,358	517,743	30,393	22,761	53,154	570,897
Education and promotions	2,818	241,262	580	4,606	6,353	22,842	278,461	92,721	1,740	94,461	372,922
Equipment	203,817	21,080	7,778	5,271	12,008	4,872	254,826	76,984	14,994	91,978	346,804
Community and agency services	500	209,232	69,212	2,027	5,724	--	286,695	--	--	--	286,695
Occupancy	231,492	7,915	2,088	1,634	2,560	17,609	263,298	4,756	4,575	9,331	272,629
Office and administrative	53,370	25,089	8,368	2,942	27,600	6,868	124,237	23,666	87,857	111,523	235,760
Insurance	73,300	2,509	662	518	2,206	7,857	87,052	1,508	18,942	20,450	107,502
Travel	12,229	11,456	8,140	1,864	17,917	1,736	53,342	11,314	9,628	20,942	74,284
Dues	31,181	213	--	--	2,152	55	33,601	24,718	6,135	30,853	64,454
Training and staff development	11,477	5,047	2,928	646	7,609	5,703	33,410	11,975	16,282	28,257	61,667
Total Expenses Before Donated Commodities Distributed	8,370,698	1,854,041	816,940	236,671	1,024,794	494,276	12,797,420	2,354,769	1,422,412	3,777,181	16,574,601
Donated Commodities Distributed	57,370,301	--	--	--	--	--	57,370,301	--	--	--	57,370,301
Total Expenses	<u>\$ 65,740,999</u>	<u>\$ 1,854,041</u>	<u>\$ 816,940</u>	<u>\$ 236,671</u>	<u>\$ 1,024,794</u>	<u>\$ 494,276</u>	<u>\$ 70,167,721</u>	<u>\$ 2,354,769</u>	<u>\$ 1,422,412</u>	<u>\$ 3,777,181</u>	<u>\$ 73,944,902</u>

* Includes special event expenses of \$126,659.

The accompanying notes are an integral part of these financial statements.

ALAMEDA COUNTY COMMUNITY FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED 30, 2016

	Program Services							Infrastructure and Supporting Services			
	Food Distribution	Outreach	Agency Services	Nutrition Programs	Community Awareness and Advocacy	Volunteer Program	Total	* Resource Development/Fundraising	Management and General	Total	Total
Salaries	\$ 1,499,360	\$ 837,243	\$ 323,772	\$ 172,546	\$ 478,235	\$ 246,908	\$ 3,558,064	\$ 806,244	\$ 675,974	\$ 1,482,218	\$ 5,040,282
Payroll taxes	111,471	62,570	23,888	12,536	34,413	17,704	262,582	57,141	47,671	104,812	367,394
Employee benefits	496,256	273,320	82,326	45,867	134,155	86,573	1,118,497	203,608	155,560	359,168	1,477,665
Total Personnel Costs	2,107,087	1,173,133	429,986	230,949	646,803	351,185	4,939,143	1,066,993	879,205	1,946,198	6,885,341
Food handling and purchases	4,023,260	--	--	--	--	--	4,023,260	--	--	--	4,023,260
Professional services	171,033	95,151	48,387	12,566	37,891	16,750	381,778	282,180	266,806	548,986	930,764
Resource development	32,978	--	--	--	--	122	33,100	772,313	--	772,313	805,413
Vehicles and transportation	644,379	--	--	--	--	--	644,379	--	--	--	644,379
Depreciation	387,558	37,448	12,019	8,195	14,607	31,422	491,249	24,403	17,753	42,156	533,405
Education and promotions	7,090	259,113	--	--	4,510	25,460	296,173	89,118	3,545	92,663	388,836
Community and agency services	51,856	226,991	25,655	8,931	10,594	--	324,027	--	3,295	3,295	327,322
Occupancy	245,250	8,964	2,488	1,829	2,626	16,460	277,617	5,588	4,529	10,117	287,734
Equipment	169,031	16,233	3,325	1,690	7,561	2,558	200,398	15,624	10,323	25,947	226,345
Office and administrative	56,125	26,934	8,107	3,922	15,268	5,436	115,792	27,196	75,212	102,408	218,200
Insurance	64,195	2,102	575	427	1,864	6,170	75,333	1,303	16,424	17,727	93,060
Travel	8,205	15,698	9,827	4,653	15,875	1,807	56,065	8,437	12,771	21,208	77,273
Training and staff development	6,849	5,175	3,372	1,753	10,678	15,163	42,990	8,366	9,534	17,900	60,890
Dues	32,100	240	90	--	2,316	1,055	35,801	8,052	2,411	10,463	46,264
Total Expenses Before Donated Commodities Distributed	8,006,996	1,867,182	543,831	274,915	770,593	473,588	11,937,105	2,309,573	1,301,808	3,611,381	15,548,486
Donated Commodities Distributed	52,174,761	--	--	--	--	--	52,174,761	--	--	--	52,174,761
Total Expenses	<u>\$ 60,181,757</u>	<u>\$ 1,867,182</u>	<u>\$ 543,831</u>	<u>\$ 274,915</u>	<u>\$ 770,593</u>	<u>\$ 473,588</u>	<u>\$ 64,111,866</u>	<u>\$ 2,309,573</u>	<u>\$ 1,301,808</u>	<u>\$ 3,611,381</u>	<u>\$ 67,723,247</u>

* Includes special event expenses of \$152,581.

The accompanying notes are an integral part of these financial statements.

ALAMEDA COUNTY COMMUNITY FOOD BANK

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ 1,822,507	\$ 1,490,890
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loss on investments	11,138	11,730
Stock donation	(329,755)	(321,064)
Depreciation	570,897	533,405
Loss on disposal of equipment	3,096	--
Donated commodities received	(57,078,227)	(52,645,907)
Donated commodities distributed	57,370,301	52,174,761
(Increase) decrease in assets:		
Grants receivable	(362,834)	58,800
Promises to give	(1,103,381)	(114,619)
Program revenue and other receivables	745	49,276
Inventory	60,486	(18,390)
Prepaid expenses and deposits	(51,035)	(30,053)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(71,439)	149,230
Accrued compensated absences	38,554	17,377
Deferred revenue	(21,253)	90,581
Net Cash Provided by Operating Activities	859,800	1,446,017
Cash Flows From Investing Activities		
Purchase of investments	(1,090,230)	(810,130)
Proceeds from sale of investments	1,359,313	1,088,235
Purchase of property and equipment	(420,303)	(445,032)
Proceeds from the sale of fixed assets	4,500	--
Net Cash Used in Investing Activities	(146,720)	(166,927)
Net Increase in Cash and Cash Equivalents	713,080	1,279,090
Cash and Cash Equivalents - Beginning	3,985,736	2,706,646
Cash and Cash Equivalents - Ending	\$ 4,698,816	\$ 3,985,736

The accompanying notes are an integral part of these financial statements.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 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 200 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 36.4 million pounds of food including 20.8 million pounds of fresh fruits and vegetables in the 2017 fiscal year (34.5 million pounds of food including 20.2 million of fresh fruits and vegetables in the 2016 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 200 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 Programs - 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.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROGRAM SERVICES (CONTINUED)

Nutrition Programs (continued) - 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.

Community Awareness, Engagement, 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, 2017 and 2016, volunteer hours were equivalent to 54 and 51 full-time employees, respectively. Volunteer hours of 106,775 increased 8% during the year ended June 30, 2017 (99,025 volunteer hours in 2016).

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 5% and 8% during the years ended June 30, 2017 and 2016, 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. The CalFresh Outreach program declined slightly after a 38% increase in applications submitted in 2015. Applications submitted equaled 3,926 and 4,407 during the years ended June 30, 2017 and 2016, respectively.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 regardless of the timing of cash flows.

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, 2017 and 2016, 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.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY (CONTINUED)

Feeding America, the national food bank network which sets the standards for fiscal operations of food banks, valued both USDA commodities at \$1.52 per pound and non-USDA commodities at \$1.73 per pound for the year ended June 30, 2017. Both USDA and non-USDA commodities were valued at \$1.67 for the year ended June 30, 2016. The donated commodities distributed includes spoilage and shrinkage for the years ended June 30, 2017 and 2016, of \$2,348,008 and \$1,104,985 for non-USDA items and \$0 and \$0 for USDA items, respectively. The total spoilage and shrinkage represents 4.1% and 2.1% of the total costs and pounds of food distributed as of June 30, 2017 and 2016, 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.

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 and changes in net assets.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisal, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value. No impairment losses were incurred during the years ended June 30, 2017 and 2016.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 program or time restriction expires. This occurs by increasing unrestricted net assets and decreasing temporarily restricted net assets in the statement of activities and changes in net assets. Such transactions are recorded as *net assets released from restrictions* and are reported separately from other transactions.

The Food Bank is the beneficiary under various trust agreements or bequests, the total realizable amount of which is not presently determinable. Such amounts are recognized as beneficial interest in trusts or contributions when clear title is established and the proceeds are estimable.

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

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 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 auction event items and professional services totaling \$165,570 and \$183,290 during the years ended June 30, 2017 and 2016, respectively.

The Food Bank regularly utilizes the services of volunteers. The Food Bank volunteers donated 106,775 hours in 2017 and 99,025 hours in 2016. 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 \$2.6 million at \$24.14 per hour for the year ended June 30, 2017 (approximately \$2.3 million at \$23.56 per hour in 2016).

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 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 \$301,464 and \$313,905 for the years ended June 30, 2017 and 2016, 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

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

Management evaluated the Food Bank's tax positions and concluded that the Food Bank maintained its tax-exempt status and had taken no uncertain tax positions that would require adjustments to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

The Food Bank's evaluation on June 30, 2017, revealed no tax positions that would have a material impact on the financial statements. The tax returns on the Food Bank are subject to examination by federal and state taxing authorities. However, there are currently no examinations in progress or pending.

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 changes in net assets 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

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 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). The levels of the fair value hierarchy are as follows:

Level 1 – Inputs 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.

An asset or a liability's classification is based on the lowest level input that is significant to its measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

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.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2017	Level 1	Level 2	Level 3
Municipal bonds	\$ 2,234,196	\$ --	\$ 2,234,196	\$ --
Mutual funds:				
Short-term bond	521,093	521,093	--	--
World bond	470,963	470,963	--	--
Ultra-short bond	399,022	399,022	--	--
Blend	305,462	305,462	--	--
Large value	209,311	209,311	--	--
Foreign large value	88,453	88,453	--	--
Real estate	66,096	66,096	--	--
Domestic small/mid value	65,359	65,359	--	--
Foreign small/mid value	46,193	46,193	--	--
Diversified emerging market	34,708	34,708	--	--
Total	<u>\$ 4,440,856</u>	<u>\$ 2,206,660</u>	<u>\$ 2,234,196</u>	<u>\$ --</u>
	2016	Level 1	Level 2	Level 3
Municipal bonds	\$ 2,367,742	\$ --	\$ 2,367,742	\$ --
Mutual funds:				
Short-term bond	722,209	722,209	--	--
World bond	674,833	674,833	--	--
Blend	210,684	210,684	--	--
Large value	183,173	183,173	--	--
Foreign large value	78,853	78,853	--	--
Real estate	70,534	70,534	--	--
Foreign small/mid value	37,498	37,498	--	--
Diversified emerging market	28,912	28,912	--	--
Domestic small/mid value	16,884	16,884	--	--
Total	<u>\$ 4,391,322</u>	<u>\$ 2,023,580</u>	<u>\$ 2,367,742</u>	<u>\$ --</u>

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2017 and 2016.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give of \$1,548,000 at June 30, 2017 are due in July 2018. All promises to give are stated at their present values.

Three donors comprised the balance as of June 30, 2017. One donor comprised 100% of the promises to give at June 30, 2016.

NOTE 4 - INVENTORY

Inventory consisted of the following at June 30:

	2017	2016
Government commodities	\$ 815,539	\$ 1,093,559
Donated food	721,531	735,585
Purchased food	<u>293,760</u>	<u>354,246</u>
Total	<u>\$ 1,830,830</u>	<u>\$ 2,183,390</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2017	2016
Building and improvements	\$ 10,500,301	\$ 10,434,910
Land	2,540,575	2,540,575
Office furniture and equipment	1,045,342	960,813
Vehicles	924,364	929,554
Warehouse equipment	<u>170,187</u>	<u>204,588</u>
	15,180,769	15,070,440
Less: accumulated depreciation	<u>(4,868,360)</u>	<u>(4,600,022)</u>
	10,312,409	10,470,418
Construction in progress	<u>86,424</u>	<u>86,605</u>
Total	<u>\$ 10,398,833</u>	<u>\$ 10,557,023</u>

The increase in office furniture and equipment, and buildings and improvements, and the decrease in construction in progress represent the completion of a CRM software and repack room projects.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 6 - UNRESTRICTED BOARD DESIGNATED NET ASSETS

Unrestricted Board designated appropriations at June 30 are as follows:

	2017	2016
Operating reserve	\$ 5,332,964	\$ 4,692,213
Capital improvements	2,434,180	2,300,011
Inventory	1,830,830	2,183,390
Capacity building	580,000	--
Total	<u>\$ 10,177,974</u>	<u>\$ 9,175,614</u>

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, 2017 and 2016, the operating reserve represents 4.0 months and 3.8 months of operating expense excluding depreciation, respectively.

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

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

Capacity Building - This reserve is for capacity building and represents a planned allotment for both program and infrastructure needs.

The \$1,002,360 increase in total unrestricted net assets is primarily due to the increase in funding to be applied to capacity and infrastructure needs next year.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
General operations-time restriction	\$ 1,473,000	\$ 669,619
Organizational development and research	570,138	94,044
Food purchases and distribution	85,185	69,796
Other food distribution and agency capacity	72,295	121,204
Resource development	40,000	80,000
Advocacy	21,764	--
Total	<u>\$ 2,262,382</u>	<u>\$ 1,034,663</u>

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 8 - 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:

	2017	2016
Food purchases and distribution	\$ 992,456	\$ 1,346,637
Organizational development and research	519,024	213,331
General operations-time restriction	225,000	--
Other food distribution and agency capacity	174,909	149,365
Facilities projects	82,000	--
Resource development	40,000	--
Advocacy	23,237	25,000
Healthy Cities program	--	40,054
CalFresh Outreach	--	13,000
Total	<u>\$ 2,056,626</u>	<u>\$ 1,787,387</u>

NOTE 9 - 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 their 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, 2017 and 2016, were \$244,244 and \$212,780, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

LEASE

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

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEASE (CONTINUED)

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

For the Years Ended	
June 30,	Amount
2018	\$ 55,551
2019	55,551
2020	32,104
2021	22,081
2022	<u>12,881</u>
Total	<u>\$ 178,168</u>

Lease expense for the years ended June 30, 2017 and 2016, was \$54,934 and \$54,562, 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, 2017 and 2016, 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.

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.

NOTE 11 - SUBSEQUENT EVENTS

The Food Bank has evaluated all subsequent events through September 28, 2017, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.

ALAMEDA COUNTY COMMUNITY FOOD BANK

SCHEDULE OF OTHER GOVERNMENT AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Grantor/Pass - through Grantor Program Title	Contract Number	Exhibit Number	Contract Amount	Contract Period	Total Disbursements/ Expenditures
<u>State of California - Health and Human Services Agency</u>					
Department of Social Services					
State Emergency Food Assistance Program	10-6024		\$ 53,280	7/1/16-6/30/17	\$ 53,280
Tax Check-off	15-00105		<u>13,147</u>	7/1/16-6/30/17	<u>13,147</u>
			<u>66,427</u>		<u>66,427</u>
<u>County of Alameda Social Services Agency</u>					
Department of Workforce and Benefits Administration					
Emergency Food and Surplus Food Distribution Program	14366	14295	1,136,803	7/1/16-6/30/17	1,136,803
CalFresh Advocacy and Outreach	14367	14296	1,479,749	7/1/16-6/30/17	739,875
Food as Medicine-Measure A	7070	14574	<u>15,479</u>	12/1/16-9/30/17	<u>11,738</u>
			<u>2,632,031</u>		<u>1,888,416</u>
<u>City of Hayward Social Services</u>					
Food Distribution Food Purchase Program	16-057		<u>40,000</u>	7/1/16-6/30/17	<u>40,000</u>
<u>City of Oakland Department of Human Services</u>					
Hunger Program Brown Bag Distribution	85580		<u>153,522</u>	7/1/16-6/30/17	<u>126,110</u>
Total Expenditures of Other Government Awards			<u>\$ 2,891,980</u>		<u>\$ 2,120,953</u>

See independent auditors' report.

**INDEPENDENT AUDITORS' 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

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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alameda County Community Food Bank's (the "Food Bank") 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.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

San Francisco, California
September 28, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Board of Directors of
Alameda County Community Food Bank

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 Compliance Supplement* that could have a direct and material effect on the Food Bank's major federal program for the year ended June 30, 2017. The Food Bank's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Food Bank's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

San Francisco, California
September 28, 2017

ALAMEDA COUNTY COMMUNITY FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass - through Grantor/ Program or Cluster Title	Federal CFDA Number	Program and/or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal 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. 86188	\$ 20,000	\$ <u>20,000</u>
<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		83,364	<u>83,364</u>
<u>Food Distribution Cluster</u>				
U.S. Department of Agriculture				
Pass - through programs from:				
California Department of Social Services - Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00105		41,856
Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00105		123,005
Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00105		20,226
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00105	5,008,686	<u>5,008,686</u>
Total Food Distribution Cluster				<u>5,193,773</u>
<u>Supplemental Nutrition Assistant Program Cluster</u>				
U.S. Department of Agriculture				
Pass - through programs from:				
County of Alameda Social Services Agency - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Board PO# 14367-14296		<u>739,875</u>
Pass - through programs from:				
County of Alameda Public Health Department State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Board PO# 10242-13311		<u>67,768</u>
Pass - through programs from:				
California Department of Social Services - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	MOU# 14-3035		19,610
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	MOU# 16-SUB-00965		<u>63,100</u>
Subtotal passed through California Department of Social Services				<u>82,710</u>
Total Supplemental Nutrition Assistant Program Cluster				<u>890,353</u>
Total Expenditures of Federal Awards			<u>\$ 5,112,050</u>	<u>\$ 6,187,490</u>

See independent auditors' report and notes to the Schedule of Expenditures of Federal Awards.

ALAMEDA COUNTY COMMUNITY FOOD BANK

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Alameda County Community Food Bank (the "Food Bank") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Food Bank.

NOTE 2 - 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 a reimbursement.

NOTE 3 - INDIRECT COST RATE

The Food Bank has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

ALAMEDA COUNTY COMMUNITY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	No
Significant deficiency(ies) identified that are not considered 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 material weaknesses	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

ALAMEDA COUNTY COMMUNITY FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program/Cluster</u>
10.568 / 10.569	Food Distribution Cluster

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

Audit 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.