



*Reports of Independent Auditors and
Financial Statements with
Supplementary Information*

Alameda County Community Food Bank

June 30, 2018 and 2017



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Report of Independent Auditors

The Board of Directors
Alameda County Community Food Bank

Report on the Financial Statements

We have audited the accompanying financial statements of Alameda County Community Food Bank (the "Food Bank"), which comprise the statement of financial position as June 30, 2018, 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.

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 the 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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Food Bank'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 Food Bank'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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, as of June 30, 2018, the Foundation adopted Accounting Standards Update (“ASU”) 2016-14, Presenting Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and changes to the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of Alameda County Community Food Bank for the year ended June 30, 2017, were audited by other auditors who expressed an unmodified opinion of those statements on September 28, 2017.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Expenditures of Federal Awards*, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *Schedule of Other Government Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 15, 2018, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
October 15, 2018

Financial Statements

Alameda County Community Food Bank
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 4,795,758	\$ 4,698,816
Grants receivable	563,587	937,334
Promises to give	628,000	1,548,000
Program revenue and other receivables	50,105	60,367
Inventory	1,391,315	1,830,830
Prepaid expenses and deposits	227,039	202,154
Investments	4,767,698	4,440,856
Property and equipment, net	<u>10,400,217</u>	<u>10,398,833</u>
Total Assets	<u>\$ 22,823,719</u>	<u>\$ 24,117,190</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 676,972	\$ 523,057
Accrued compensated absences	435,099	370,280
Deferred revenue	<u>85,639</u>	<u>80,783</u>
Total Liabilities	<u>1,197,710</u>	<u>974,120</u>
Net Assets		
Without donor restrictions:		
Undesignated	300,000	303,882
Board designated (Note 6):		
Inventory	1,391,315	1,830,830
Property and equipment, net	10,400,217	10,398,833
Other	<u>8,531,165</u>	<u>8,347,144</u>
Total board designated	20,322,697	20,576,807
Total Without Donor Restrictions	<u>20,622,697</u>	<u>20,880,689</u>
With donor restrictions (Note 7)	<u>1,003,312</u>	<u>2,262,382</u>
Total Net Assets	<u>21,626,009</u>	<u>23,143,071</u>
Total Liabilities and Net Assets	<u>\$ 22,823,719</u>	<u>\$ 24,117,191</u>

Alameda County Community Food Bank
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

Operating Activities	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Support and revenue			
Donated commodities received	\$ 48,120,804	\$ -	\$ 48,120,804
Government revenue	3,516,464	-	3,516,464
Foundation/corporation grants	2,199,284	1,309,102	3,508,386
Individual contributions	7,908,684	219,841	8,128,525
Special events, gross	964,197	-	964,197
Program revenue	656,105	-	656,105
Interest and other income	186,045	-	186,045
Net realized loss on investments	(315)	-	(315)
Net assets released from restrictions	2,788,013	(2,788,013)	-
Total Support and Revenue	<u>66,339,281</u>	<u>(1,259,070)</u>	<u>65,080,211</u>
Expenses			
Program Services			
Food distribution	57,343,551	-	57,343,551
Outreach	1,806,320	-	1,806,320
Agency services	1,201,469	-	1,201,469
Nutrition programs	180,469	-	180,469
Community awareness, engagement and advocacy	1,173,011	-	1,173,011
Volunteer program	558,503	-	558,503
Total Program Services	<u>62,263,323</u>	<u>-</u>	<u>62,263,323</u>
Infrastructure and Supporting Services			
Resource development/fundraising	2,553,230	-	2,553,230
Management and general	1,748,183	-	1,748,183
Total Infrastructure and Supporting Services	<u>4,301,413</u>	<u>-</u>	<u>4,301,413</u>
Total Expenses	<u>66,564,736</u>	<u>-</u>	<u>66,564,736</u>
Total Operating Net Loss	<u>(225,455)</u>	<u>(1,259,070)</u>	<u>(1,484,525)</u>
Non-Operating Activities			
Net loss on disposal of equipment	(3,863)	-	(3,863)
Net unrealized loss on investments	(28,674)	-	(28,674)
Total Non-Operating Loss	<u>(32,537)</u>	<u>-</u>	<u>(32,537)</u>
Change in Net Assets	(257,992)	(1,259,070)	(1,517,062)
Net Assets - Beginning of year	<u>20,880,689</u>	<u>2,262,382</u>	<u>23,143,071</u>
Net Assets - End of year	<u>\$ 20,622,697</u>	<u>\$ 1,003,312</u>	<u>\$ 21,626,009</u>

See accompanying notes.

Alameda County Community Food Bank
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

Operating Activities	Without donor restrictions	With donor restrictions	Total
Support and Revenue			
Donated commodities received	\$ 57,078,227	\$ -	\$ 57,078,227
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 income	163,085	-	163,085
Net realized gain on investments	766	-	766
Net assets released from restrictions	2,056,626	(2,056,626)	-
Total Support and Revenue	74,554,690	1,227,719	75,782,409
Expenses			
Program Services			
Food distribution	65,740,998	-	65,740,998
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	494,276	-	494,276
Total Program Services	70,167,720	-	70,167,720
Infrastructure and Supporting Services			
Resource development/fundraising	2,354,769	-	2,354,769
Management and general	1,422,412	-	1,422,412
Total Infrastructure and Supporting Services	3,777,181	-	3,777,181
Total Expenses	73,944,901	-	73,944,901
Total Operating Net Income	609,789	1,227,719	1,837,508
Non-Operating Activities			
Net loss on disposal of equipment	(3,096)	-	(3,096)
Net unrealized loss on investments	(11,904)	-	(11,904)
Total Non-Operating loss	(15,000)	-	(15,000)
Change in Net Assets	594,789	1,227,719	1,822,508
Net Assets - Beginning	20,285,900	1,034,663	21,320,563
Net Assets - Ending	\$ 20,880,689	\$ 2,262,382	\$ 23,143,071

Alameda County Community Food Bank
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services						Infrastructure and Supporting Services			Total	
	Food Distribution	Outreach	Agency Services	Nutrition Programs	Community Awareness and Advocacy	Volunteer Program	Subtotal Total	* Resource Development/ Fundraising	Management and General		Subtotal Total
Personnel Costs											
Salaries	\$ 1,862,663	\$ 894,057	\$ 603,019	\$ 114,907	\$ 787,738	\$ 316,834	\$ 4,579,218	\$ 1,035,154	\$ 1,013,378	\$ 2,048,532	\$ 6,627,750
Payroll taxes	137,343	65,987	44,242	8,064	57,261	23,363	336,260	73,462	71,840	145,302	481,562
Employee benefits	592,279	236,656	140,888	29,783	189,273	94,273	1,283,152	222,095	245,963	468,058	1,751,210
Total Personnel Costs	2,592,285	1,196,700	788,149	152,754	1,034,272	434,470	6,198,630	1,330,711	1,331,181	2,661,892	8,860,522
Other Expenses											
Food Handling & Purchases	4,238,226	-	-	-	-	-	4,238,226	-	-	-	4,238,226
Professional Services	143,698	57,056	54,852	8,573	33,860	21,729	319,768	151,965	218,594	370,559	690,327
Training & Staff Development	14,583	7,297	9,474	2,451	8,586	1,721	44,112	8,802	7,402	16,204	60,316
Office & Administrative	57,049	25,061	14,403	2,583	15,073	6,051	120,220	33,783	109,816	143,599	263,819
Dues	34,140	150	113	-	2,222	60	36,685	15,214	3,357	18,571	55,256
Insurance	58,362	3,962	2,489	630	2,323	6,285	74,051	3,136	20,701	23,837	97,888
Occupancy	265,459	7,893	5,295	1,730	3,025	17,799	301,201	4,984	5,595	10,579	311,780
Resource Development	44,022	-	-	-	-	-	44,022	782,554	-	782,554	826,576
Education & Promotions	2,091	270,405	2,799	2,091	13,621	24,611	315,618	68,606	-	68,606	384,224
Community & Agency Services	552	160,372	256,452	996	4,857	-	423,229	-	-	-	423,229
Vehicles & Transportation	653,436	-	-	-	2,825	-	656,261	-	-	-	656,261
Equipment	222,903	21,608	31,253	661	6,927	2,559	285,911	105,449	13,982	119,431	405,342
Depreciation	405,866	43,690	27,469	6,736	25,729	41,803	551,293	34,254	30,915	65,169	616,462
Travel	13,098	12,126	8,721	1,264	19,691	1,415	56,315	13,772	6,640	20,412	76,727
Total Other Expenses	6,153,485	609,620	413,320	27,715	138,739	124,033	7,466,912	1,222,519	417,002	1,639,521	9,106,433
Total Expenses Before Donated Commodities Distributed	8,745,770	1,806,320	1,201,469	180,469	1,173,011	558,503	13,665,542	2,553,230	1,748,183	4,301,413	17,966,955
Donated Commodities Distributed	48,597,781	-	-	-	-	-	48,597,781	-	-	-	48,597,781
Total Expenses	\$ 57,343,551	\$ 1,806,320	\$ 1,201,469	\$ 180,469	\$ 1,173,011	\$ 558,503	\$ 62,263,323	\$ 2,553,230	\$ 1,748,183	\$ 4,301,413	\$ 66,564,736

* Includes special event expenses of \$126,659

Alameda County Community Food Bank
Statement of Functional Expenses
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
Personnel Costs											
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
Other Expenses											
Food Handling & Purchases	4,053,264	-	-	-	-	-	4,053,264	-	-	-	4,053,264
Professional Services	142,258	108,303	63,778	9,044	29,356	16,666	369,405	122,071	176,807	298,878	668,283
Training & Staff Development	11,477	5,047	2,928	646	7,609	5,703	33,410	11,975	16,282	28,257	61,667
Office & Administrative	53,370	25,089	8,368	2,942	27,600	6,868	124,237	23,666	87,857	111,523	235,760
Dues	31,181	213	-	-	2,152	55	33,601	24,718	6,138	30,856	64,457
Insurance	73,300	2,509	662	518	2,206	7,857	87,052	1,508	18,942	20,450	107,502
Occupancy	231,492	7,915	2,088	1,634	2,560	17,609	263,298	4,756	4,575	9,331	272,629
Resource Development	43,182	-	-	-	-	-	43,182	687,175	-	687,175	730,357
Education & Promotions	2,818	241,262	580	4,606	6,353	22,842	278,461	92,721	1,740	94,461	372,922
Community & Agency Services	500	209,232	69,212	2,027	5,724	-	286,695	-	-	-	286,695
Vehicles & Transportation	691,969	-	-	-	1,650	-	693,619	-	-	-	693,619
Equipment	203,817	21,080	7,778	5,271	12,008	4,872	254,826	76,984	14,991	91,975	346,801
Depreciation	396,752	40,856	15,712	7,203	19,862	37,358	517,743	30,393	22,761	53,154	570,897
Travel	12,229	11,456	8,140	1,864	17,917	1,736	53,342	11,314	9,628	20,942	74,284
Total Other Expenses	5,947,609	672,962	179,246	35,755	134,997	121,566	7,092,135	1,087,281	359,721	1,447,002	8,539,137
Total Expenses Before Donated Commodities Distributed	8,370,697	1,854,041	816,940	236,671	1,024,794	494,276	12,797,419	2,354,769	1,422,412	3,777,181	16,574,600
Donated Commodities Distributed	57,370,301	-	-	-	-	-	57,370,301	-	-	-	57,370,301
Total Expenses	\$ 65,740,998	\$ 1,854,041	\$ 816,940	\$ 236,671	\$ 1,024,794	\$ 494,276	\$ 70,167,720	\$ 2,354,769	\$ 1,422,412	\$ 3,777,181	\$ 73,944,901

* Includes special event expenses of \$126,659

Alameda County Community Food Bank
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (1,517,062)	\$ 1,822,507
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loss on investments	28,989	11,138
Stock donation	(472,038)	(329,755)
Depreciation	616,462	570,897
Loss on disposal of equipment	5,363	7,596
Gain on Sale of Vehicles / Equipment	(1,500)	(4,500)
Donated commodities received	(48,120,804)	(57,078,227)
Donated commodities distributed	48,597,781	57,370,301
Change in operating assets:		
Grants receivable	373,747	(362,834)
Promises to give	920,000	(1,103,381)
Program revenue and other receivables	10,262	745
Inventory	(37,462)	60,486
Prepaid expenses and deposits	(24,885)	(51,035)
Change in operating liabilities:		
Accounts payable and accrued expenses	153,915	(71,439)
Accrued compensated absences	64,819	38,554
Deferred revenue	4,856	(21,253)
Net Cash Provided by Operating Activities	<u>602,443</u>	<u>859,800</u>
Cash Flows From Investing Activities		
Purchase of investments	(710,715)	(1,090,230)
Proceeds from sale of investments	826,922	1,359,313
Purchase of property and equipment	(627,209)	(420,303)
Proceeds from the sale of fixed assets	5,500	4,500
Net Cash (Used in) Investing Activities	<u>(505,502)</u>	<u>(146,720)</u>
Net Increase in Cash and Cash Equivalents	96,941	713,080
Cash and Cash Equivalents - beginning of year	<u>4,698,816</u>	<u>3,985,736</u>
Cash and Cash Equivalents - end of year	<u>\$ 4,795,757</u>	<u>\$ 4,698,816</u>

Alameda County Community Food Bank

Notes to Financial Statements

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 32.6 million pounds of food including 17.5 million pounds of fresh fruits and vegetables in the 2018 fiscal year (36.4 million pounds of food including 20.8 million of fresh fruits and vegetables in the 2017 fiscal year). The food distribution program includes various programs such as the Children’s Back Pack Program and other government programs. In fiscal year 2018, ACCFB’s distributed pounds decreased by 10.5%, due several factors: unanticipated network member agency site disruptions and closures, decreased USDA commodities received and distributed, and ACCFB’s purchase of more nutrient dense foods at a higher cost per pound. In fiscal year 2017, food distribution increased 5%. ACCFB continued subsidies for purchased shelf-stable items and invested in network member agency capacity building through in-kind grants for equipment and infrastructure to further support member agencies and assist with community members access to nutritious food.

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. The CalFresh Outreach program increased in applications in 2018. Applications submitted equaled 4,826 during the year ended June 30, 2018 (3,926 in 2017).

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. 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.

Alameda County Community Food Bank

Notes to Financial Statements

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, 2018 and 2017, volunteer hours were equivalent to 58 full-time employees and 54 full-time employees, respectively. Volunteer hours of 112,667 increased 6% during the year ended June 30, 2018 (106,775 volunteer hours in 2017).

Program Support - 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 total revenue and support and total expenses decrease from fiscal year 2017 primarily due to the decrease in donated commodities and the timing of donor restricted funds.

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.

New accounting pronouncement – During fiscal year ending June 30, 2018, the Food Bank adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is place in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Net assets have not been reclassified for 2017 due to the adoption of ASU 2016-14 as of June 30, 2018. Certain reclassifications have been made to the 2017 financial statements to conform with ASU 2016-14. Such reclassifications did not change net assets or changes in net assets, as reflected in the 2017 financial statements.

CLASSIFICATION OF NET ASSETS

Net asset are classified based on existence or absence of donor-imposed restrictions as follows:

Without donor restrictions are 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.

With Donor Restriction is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event.

Alameda County Community Food Bank

Notes to Financial Statements

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

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. No allowance was deemed necessary at June 30, 2018 and 2017.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues 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. No allowance was deemed necessary at June 30, 2018 and 2017.

INVENTORY

Purchased inventories are recorded at cost and consist of food products purchased by the Food Bank and related to both grant and nongrant 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

Feeding America, the national food bank network which sets the standards for fiscal operations of food banks, valued USDA commodities at \$1.57 per pound and non-USDA commodities at \$1.68 per pound for the year ended June 30, 2018. Feeding America valued USDA commodities at \$1.52 per pound and non-USDA commodities at \$1.73 per pound for the year ended June 30, 2017. The donated commodities distributed includes spoilage and shrinkage for the years ended June 30, 2018 and 2017, of \$2,139,729 and \$2,348,008 for non-USDA items and \$0 for USDA items, respectively. The total spoilage and shrinkage represents 4.4% and 4.1% of the total costs and pounds of food distributed June 30, 2018 and 2017, 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 statements 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, 2018 and 2017.

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.

Alameda County Community Food Bank

Notes to Financial Statements

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 without donor restriction net assets. Contributions with donor-imposed restrictions are reported as with donor restricted net assets.

When the time or purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported as net assets released from restrictions.

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 without donor restricted 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 with donor restriction net assets to without donor restriction net assets as net assets released from net assets.

The Food Bank received and utilized donated goods and services primarily representing, auction event items and professional services totaling \$176,878 and \$165,570 during the years ended June 30, 2018 and 2017, respectively.

The Food Bank regularly utilizes the services of volunteers. The Food Bank volunteers donated 112,667 hours in year ended June 30, 2018 and 106,775 hours in year ended June 30, 2017. The value of these services is not reflected in these financial statements because the services received do not create or enhance nonfinancial assets and do not require specialized skills. The Food Bank estimates that the value of these services is worth approximately \$2.8 million at \$24.69 per hour for the year ended June 30, 2018 (approximately \$2.6 million at \$24.14 per hour in 2017).

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.

Special Events and Program Revenue

Special events revenue is recognized upon the event and/or conference taking place.

Program revenue represents funds from member agencies to cover a portion of the cost of purchased food. Food revenue is recognized when purchased food is shipped to the agencies. Program revenue also includes agency membership fee of \$100 per year per agency and is recognized in January each year.

Investment Income

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

Alameda County Community Food Bank

Notes to Financial Statements

ADVERTISING

The costs of advertising are charged to expense as incurred. Advertising expense was \$306,938 and \$301,464 for the years ended June 30, 2018 and 2017, 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.

U.S. GAAP require the Food Bank management to evaluate tax positions taken by the Food Bank and recognize a tax liability (or asset), if the Food Bank has taken an uncertain position that more likely than not would not be sustained upon examination by Internal Revenue Service.

The Food Bank's evaluation on June 30, 2018 and 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

Expenses which apply to more than one functional category have been allocated among program, general and administrative, and fundraising based on the time spent on these functions by specific employees as estimated by management. Indirect expenses such as facilities costs are allocated based on square footage used by functional categories. Other indirect expenses, such as information technology and general office supplies are allocated based on time spent by staff in the various functional categories. Certain marketing material costs are allocated based on the percentage of the publication devoted to each functional area. All other costs are charged directly to the appropriate functional category.

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:

Alameda County Community Food Bank Notes to Financial Statements

Level 1 – Values are unadjusted quoted prices for identical assets and liabilities that the entity has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability that are not corroborated by market data.

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, 2018 and 2017.

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>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Municipal bonds	\$ 2,394,924	\$ -	\$ 2,394,924	\$ -
Mutual funds:				
Short-term bond	510,633	510,633	-	-
World bond	469,070	469,070	-	-
Intermediate term bond	385,415	385,415	-	-
Blend	368,671	368,671	-	-
Large value	225,039	225,039	-	-
Foreign large value	91,695	91,695	-	-
Real estate	95,723	95,723	-	-
Domestic small/mid value	122,524	122,524	-	-
Foreign small/mid value	55,992	55,992	-	-
Diversified emerging market	48,012	48,012	-	-
Total	<u>\$ 4,767,698</u>	<u>\$ 2,372,774</u>	<u>\$ 2,394,924</u>	<u>\$ -</u>

Alameda County Community Food Bank

Notes to Financial Statements

	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	-	-
Intermediate term 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>

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2018 and 2017.

NOTE 3 – PROMISES TO GIVE

All unconditional promises to give at June 30, 2018 and 2017, are expected to be collected within one year.

Four and three donors comprises the promise to give balance as of June 30, 2018 and 2017, respectively.

NOTE 4 – INVENTORY

Inventory consisted of the following at June 30:

	2018	2017
Government commodities	\$ 683,360	\$ 815,539
Donated food	376,733	721,531
Purchased food	331,222	293,760
Total	<u>\$ 1,391,315</u>	<u>\$ 1,830,830</u>

Alameda County Community Food Bank
Notes to Financial Statements

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Building and improvements	\$ 10,751,475	\$ 10,500,301
Land	2,540,575	2,540,575
Office furniture and equipment	1,138,568	1,045,342
Vehicles	958,124	924,364
Warehouse equipment	220,687	170,187
	15,609,429	15,180,769
Less: accumulated depreciation	(5,312,537)	(4,868,360)
	10,296,892	10,312,409
Construction in progress	103,325	86,424
Total	\$ 10,400,217	\$ 10,398,833

NOTE 6 – BOARD DESIGNATED NET ASSETS

Board designated appropriations at June 30 are as follows:

	2018	2017
Property and equipment, net	\$ 10,400,217	\$ 10,398,833
Operating reserve-3 months	4,338,589	3,999,723
Other operating reserve	1,136,307	1,333,241
Capital improvements	2,656,269	2,434,180
Inventory	1,391,315	1,830,830
Capacity building	400,000	580,000
Total	\$ 20,322,697	\$ 20,576,807

The Food Bank's net assets and reserves policy established the following financial reserves:

Operating reserve – Total reserve equals three to six months operating expenses excluding depreciation. Three months operating reserve is required by Feeding America. Including additional reserves, at June 30, 2018 and 2017, the other operating reserve represents 3.8 and 4.0 months of operating expense excluding depreciation, respectively.

Capital improvements – Reserve equals to 50% of the fiscal year accumulated depreciation.

Alameda County Community Food Bank

Notes to Financial Statements

Capacity building – This reserve is for capacity building and represents a planned allotment for both program and infrastructure needs. \$400,000 as of June 30, 2018 represents two capital purchases in progress, purchase of a new truck and installation of an emergency backup generator.

The \$257,992 decrease in total without donor restriction net assets is primarily due to the decrease in donated inventory on hand and the utilization of capacity building funds set aside at the end of last year. Donated commodities received equaled \$48,120,804 and donated commodities distributed equaled \$48,597,781, for a decrease of \$476,977 to net operating income. Without the change in donated commodities, net operating income equaled \$251,523.

NOTE 7 – WITH DONOR RESTRICTION NET ASSETS

With donor restriction net assets at June 30, may be expended for:

	<u>2018</u>	<u>2017</u>
General operations-time restriction	\$ 783,000	\$ 1,473,000
Organizational development and research	82,976	570,138
Food purchases and distribution	11,580	85,185
Facilities projects	70,000	-
SNAP/CalFresh Outreach	23,231	-
Other food distribution and agency capacity	32,525	72,295
Resource development	-	40,000
Advocacy	-	21,764
Total	<u>\$ 1,003,312</u>	<u>\$ 2,262,382</u>

All net assets with donor restrictions are expected to be released from restriction by June 30, 2019.

Alameda County Community Food Bank
Notes to Financial Statements

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:

	<u>2018</u>	<u>2017</u>
Food purchases and distribution	\$ 955,549	\$ 992,456
Organizational development and research	634,162	519,024
General operations-time restriction	870,000	225,000
Other food distribution and agency capacity	204,770	174,909
Facilities projects	-	82,000
Resource development	50,000	40,000
Advocacy	21,763	23,237
Healthy Cities program	-	-
CalFresh Outreach	<u>51,769</u>	<u>-</u>
Total	<u>\$ 2,788,013</u>	<u>\$ 2,056,626</u>

Alameda County Community Food Bank

Notes to Financial Statements

NOTE 9 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Food Bank's financial assets as of June 30, 2018, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

Financial Assets

Cash and cash equivalents	\$ 4,795,758
Grants receivable	563,587
Promises to give	628,000
Program revenue and other receivables	50,105
Investments	<u>4,767,698</u>
Financial Assets as of June 30, 2018	10,805,148

Less those unavailable for general expenditures within one year, due to:

Board designated assets, 3-month reserve	4,338,589
Board designated assets, capital improvements	2,656,269
Board designated assets, capacity building	400,000
Purpose restricted net assets	<u>220,312</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,189,978</u></u>

The Food Bank's Board has a net assets-reserves policy, see Note 6. \$4.3 million in Board Designated assets above equals Feeding America's requirement to hold liquid assets equivalent to 3-months of operating cash expenses less depreciation. In addition, the Food Bank owns its own building on land-fill and does not carry earthquake insurance as premiums are cost prohibitive. As such and the Board has set aside 50% of accumulated depreciation for unexpected capital repairs. Finally, the Board has designated \$400,000 for the completion of two capital projects. Other operating reserves of \$1,136,311 within the board designated net assets were excluded from those financial assets unavailable for general expenditures as they would be available for general expenditures within one year, if needed with board approval. After unavailable financial assets are subtracted, as of June 30, 2018, the Food Bank has remaining financial assets equivalent to an additional 2.2 months of operating expenses. The Food Bank's policy is to structure its financial assets to be available to cover the following in order of priority: reserve requirements, current operations, capital asset and inventory replacement, planned future operations, capital assets and opportunities to enhance the Food Bank's mission, unanticipated expense, sudden shortfalls in revenue.

Alameda County Community Food Bank

Notes to Financial Statements

NOTE 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 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, 2018 and 2017, were \$274,082 and \$244,244, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

LEASES

The Food Bank is obligated under several noncancelable operating leases for its equipment.

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

<u>For the Years Ended June 30,</u>	<u>Amount</u>
2019	\$ 55,551
2020	55,017
2021	32,104
2022	22,081
2023	12,881
Total	<u>\$ 177,634</u>

Lease expense for the years ended June 30, 2018 and 2017, was \$59,435 and \$54,934, 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. 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.

Alameda County Community Food Bank

Notes to Financial Statements

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Food Bank recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Food Bank's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the consolidated financial statements are available to be issued.

The Food Bank has evaluated subsequent events through October 15, 2018, which is the date the financial statements are available to be issued.

Supplementary Information

**Alameda County Community Food Bank
 Schedule of Other Government Awards
 Year Ended June 30, 2018**

<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>					
Department of Social Services					
State Emergency Food Assistance Program	MOU# 15-MOU-00105		237,240	7/1/17-6/30/18	237,240
State Disaster CalFresh Outreach	Contract # 17-4123		2,090	10/1/17-11/30/17	2,090
Tax Check-off	MOU# 15-MOU-00105		9,405	7/1/17-6/30/18	9,405
			<u>\$ 248,735</u>		<u>\$ 248,735</u>
<u>County of Alameda Social Services Agency</u>					
Department of Workforce and Benefits Administration					
Emergency Food and Surplus Food Distribution Program	Board PO# 15515	16127	1,176,591	7/1/17-6/30/18	1,176,591
CalFresh Advocacy and Outreach	Board PO# 15460	16087	1,512,472	7/1/17-6/30/18	756,236
Food as Medicine-Measure A	Board PO# 7070	14574	15,479	12/1/16-9/30/17	3,741
			<u>\$ 2,704,542</u>		<u>\$ 1,936,568</u>
<u>City of Hayward Social Services</u>					
Food Distribution Food Purchase Program	Resolution No.17-052		<u>\$ 40,000</u>	7/1/17-6/30/18	<u>\$ 40,000</u>
<u>City of Oakland Department of Human Services</u>					
Hunger Program Brown Bag Distribution	Resolution No. 86856		<u>\$ 122,309</u>	7/1/17-6/30/18	<u>\$ 125,780</u>
Total Expenditures of Other Government Awards			<u><u>\$ 3,115,586</u></u>		<u><u>\$ 2,351,083</u></u>

**Alameda County Community Food Bank
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

<u>Federal Grantor/Pass - through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Program and/or Pass -Through Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>Emergency Food and Shelter National Board</u>				
U.S. Department of Homeland Security				
Pass - through programs from:				
Federal Emergency Management Agency -				
Emergency Food and Shelter National Board Program	97.024		\$ 90,527	\$ 90,527
<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	-	41,002
Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00105	-	150,179
Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00105	-	14,227
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00105	3,898,247	3,898,247
Total Food Distribution Cluster			3,898,247	4,103,655
<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# 15460-16087	-	756,236
Pass - through programs from				
County of Alameda Public Health Department:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Master Contract# 900147-610341	-	8,603
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Procurement Contract # 15962	-	25,795
Subtotal passed through County of Alameda Public Health Department			-	34,398
Pass - through programs from:				
California Department of Social Services -				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	MOU# 16-SUB-00965	-	16,830
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	MOU# 16-SUB-00965	-	61,983
Subtotal passed through California Department of Social Services			-	78,813
Total Supplemental Nutrition Assistant Program Cluster			-	869,447
Total Expenditures of Federal Awards			\$ 3,988,774	\$ 5,063,629

Alameda County Community Food Bank

Notes to The Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Alameda County Community Food Bank (the "Food Bank") under programs of the federal government for the year ended June 30, 2018. 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.

Federal expenditures of \$5,063,629 are presented in the Food Bank's financial statements under their functional categories.

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 to reimbursement. The Food Bank recognizes grants' revenues and expenses to the extent that eligible grant costs are incurred. The Food Bank elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – SUBRECIPIENTS

Certain funds are passed through to subrecipient organizations by the Food Bank. Expenditures incurred by the subrecipients and reimbursed by the Food Bank are included in the Schedule. The Food Bank is also the subrecipient of federal funds, which are reported as expenditures and listed separately as federal pass-through funds.

Report of Independent Auditors 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*

The Board of Directors
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 (“Food Bank”) which comprise the statement of financial position as of June 30, 2018, 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 October 15, 2018.

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 Food Bank’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Moss Adams LLP

San Francisco, California
October 15, 2018

Report of Independent Auditors on Compliance for Each Major Federal Programs and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Alameda County Community Food Bank

Report on Compliance on Each Major Federal Programs

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 each of the Food Bank's major federal programs for the year ended June 30, 2018. The Food Banks' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 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 each major federal program. However, our audit does not provide a legal determination on the Food Bank's compliance.

Opinion on Each Major Federal Program

In our opinion, Alameda County Community 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 for the year ended June 30, 2018.

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, 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 the major federal programs 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Moss Adams LLP

San Francisco, California
October 15, 2018

**Alameda County Community Food Bank
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over federal major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)?

Yes No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for the Major Federal Program</i>
Various	Food Distribution Cluster	Unmodified
Various	Supplemental Nutrition Assistance Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported

