



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

Alameda County Community Food Bank

June 30, 2019 and 2018

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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 statements of financial position as June 30, 2019 and 2018, 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 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 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 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.

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, 2019 and 2018, 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 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 25, 2019, 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 25, 2019

Financial Statements

Alameda County Community Food Bank
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 3,895,379	\$ 4,795,758
Grants receivable	951,946	563,587
Promises to give, net	2,661,045	628,000
Program revenue and other receivables	84,656	50,105
Inventory	2,310,191	1,391,315
Prepaid expenses and deposits	295,386	227,039
Investments	5,774,179	4,767,698
Property and equipment, net	<u>10,334,635</u>	<u>10,400,217</u>
Total Assets	<u>\$ 26,307,417</u>	<u>\$ 22,823,719</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 959,381	\$ 676,972
Accrued compensated absences	454,714	435,099
Deferred revenue	<u>41,663</u>	<u>85,639</u>
Total Liabilities	<u>1,455,758</u>	<u>1,197,710</u>
Net Assets		
Without donor restrictions:		
Undesignated	300,000	300,000
Board designated (Note 6):		
Inventory	2,310,191	1,391,315
Property and equipment, net	10,334,635	10,400,217
Board designated (financial assets)	<u>8,764,000</u>	<u>8,531,165</u>
Total board designated	21,408,826	20,322,697
Total Net Assets Without Donor Restrictions	<u>21,708,826</u>	<u>20,622,697</u>
With donor restrictions (Note 7)	<u>3,142,833</u>	<u>1,003,312</u>
Total Net Assets	<u>24,851,659</u>	<u>21,626,009</u>
Total Liabilities and Net Assets	<u>\$ 26,307,417</u>	<u>\$ 22,823,719</u>

Alameda County Community Food Bank
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

Operating Activities	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Donated commodities received	\$ 45,338,242	\$ -	\$ 45,338,242
Government revenue	3,977,427	-	3,977,427
Foundation/corporation grants	2,249,964	4,827,204	7,077,168
Individual contributions	8,456,820	283,621	8,740,441
Special events, gross	983,460	-	983,460
Program revenue	783,262	-	783,262
Interest and other income	247,270	-	247,270
Net realized gain on investments	1,016	-	1,016
Net assets released from restrictions	2,971,304	(2,971,304)	-
Total Support and Revenue	65,008,765	2,139,521	67,148,286
Expenses			
Program Services			
Food distribution	53,816,300	-	53,816,300
Outreach	1,911,530	-	1,911,530
Agency services	1,278,222	-	1,278,222
Nutrition programs	205,474	-	205,474
Advocacy, research and community engagement	1,523,881	-	1,523,881
Volunteer program	597,640	-	597,640
Total Program Services	59,333,047	-	59,333,047
Infrastructure and Supporting Services			
Resource development/fundraising	2,659,592	-	2,659,592
Management and general	2,039,704	-	2,039,704
Total Infrastructure and Supporting Services	4,699,296	-	4,699,296
Total Expenses	64,032,343	-	64,032,343
Total Operating Net Income	976,422	2,139,521	3,115,943
Non Operating Activities			
Net unrealized gain on investments	109,707	-	109,707
Total Non-Operating Income	109,707	-	109,707
Change in Net Assets	1,086,129	2,139,521	3,225,650
Net Assets - Beginning of year	20,622,697	1,003,312	21,626,009
Net Assets - End of year	\$ 21,708,826	\$ 3,142,833	\$ 24,851,659

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

	Without donor restrictions	With donor restrictions	Total
Operating Activities			
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
Advocacy, research and community engagement	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>

Alameda County Community Food Bank
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services							Infrastructure and Supporting Services			Total
	Food Distribution	Outreach	Agency Services	Nutrition Programs	Advocacy, Research and Community Engagement	Volunteer Program	Subtotal Total	Resource Development/Fundraising	Management and General	Subtotal Total	
Personnel Costs											
Salaries	\$ 1,856,636	\$ 977,183	\$ 665,789	\$ 122,232	\$ 935,035	\$ 340,093	\$ 4,896,968	\$ 1,091,480	\$ 1,253,067	\$ 2,344,547	\$ 7,241,515
Payroll taxes	136,877	72,117	50,174	8,909	67,864	24,469	360,410	77,546	89,041	166,587	526,997
Employee benefits	611,865	280,413	165,728	43,443	203,222	100,344	1,405,015	268,598	264,714	533,312	1,938,327
Total Personnel Costs	2,605,378	1,329,713	881,691	174,584	1,206,121	464,906	6,662,393	1,437,624	1,606,822	3,044,446	9,706,839
Other Expenses											
Food handling & purchases	4,559,823	-	-	-	-	-	4,559,823	-	-	-	4,559,823
Professional services	404,113	63,064	84,006	9,066	192,564	22,780	775,593	175,908	154,285	330,193	1,105,786
Training and staff development	11,644	4,793	3,922	341	10,812	2,242	33,754	12,210	13,324	25,534	59,288
Office and administrative	54,919	24,267	15,034	2,824	19,268	5,676	121,988	30,735	136,056	166,791	288,779
Dues	34,912	475	-	-	3,042	60	38,489	11,108	4,500	15,608	54,097
Insurance	43,793	4,684	3,034	816	2,930	5,819	61,076	4,062	23,601	27,663	88,739
Occupancy	247,055	7,812	5,864	1,732	3,085	17,664	283,212	4,980	5,738	10,718	293,930
Resource development	27,412	-	-	-	-	-	27,412	763,641	-	763,641	791,053
Education and promotions	5,064	244,075	3,923	3,102	11,329	26,817	294,310	77,733	-	77,733	372,043
Community and agency services	-	154,159	224,297	2,365	18,573	-	399,394	-	-	-	399,394
Vehicles and transportation	686,919	-	-	-	1,738	-	688,657	-	-	-	688,657
Equipment	253,437	17,720	16,108	796	8,841	4,311	301,213	86,040	41,753	127,793	429,006
Depreciation	448,012	47,669	31,262	8,492	28,124	45,699	609,258	39,472	38,606	78,078	687,336
Travel	12,087	13,099	9,081	1,356	17,454	1,666	54,743	16,079	15,019	31,098	85,841
Total Other Expenses	6,789,190	581,817	396,531	30,890	317,760	132,734	8,248,922	1,221,968	432,882	1,654,850	9,903,772
Total Expenses Before											
Commodities distributed	9,394,568	1,911,530	1,278,222	205,474	1,523,881	597,640	14,911,315	2,659,592	2,039,704	4,699,296	19,610,611
Donated commodities distributed	44,421,732	-	-	-	-	-	44,421,732	-	-	-	44,421,732
Total Expenses	\$ 53,816,300	\$ 1,911,530	\$ 1,278,222	\$ 205,474	\$ 1,523,881	\$ 597,640	\$ 59,333,047	\$ 2,659,592	\$ 2,039,704	\$ 4,699,296	\$ 64,032,343

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

	Program Services							Infrastructure and Supporting Services			Total
	Food Distribution	Outreach	Agency Services	Nutrition Programs	Advocacy, Research and Community Engagement	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 and 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 and 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 and promotions	2,091	270,405	2,799	2,091	13,621	24,611	315,618	68,606	-	68,606	384,224
Community and agency services	552	160,372	256,452	996	4,857	-	423,229	-	-	-	423,229
Vehicles and 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

See accompanying notes.

Alameda County Community Food Bank
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 3,225,650	\$ (1,517,062)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(110,723)	28,989
Change in promises to give discount	11,344	-
Stock donations	(379,406)	(472,038)
Depreciation	687,336	616,462
Loss on disposal of equipment	-	5,363
Gain on Sale of Vehicles / Equipment	-	(1,500)
Donated commodities received	(45,338,242)	(48,120,804)
Donated commodities distributed	44,421,732	48,597,781
Change in operating assets:		
Grants receivable	(388,359)	373,747
Promises to give	(2,044,389)	920,000
Program revenue and other receivables	(34,551)	10,262
Inventory	(2,366)	(37,461)
Prepaid expenses and deposits	(68,348)	(24,885)
Change in operating liabilities:		
Accounts payable and accrued expenses	282,409	153,915
Accrued compensated absences	19,615	64,819
Deferred revenue	(43,976)	4,856
Net Cash Provided by Operating Activities	<u>237,726</u>	<u>602,444</u>
Cash Flows From Investing Activities		
Purchase of investments	(1,614,702)	(710,715)
Proceeds from sale of investments	1,098,350	826,922
Purchase of property and equipment	(621,753)	(627,209)
Proceeds from the sale of fixed assets	-	5,500
Net Cash Used in Investing Activities	<u>(1,138,105)</u>	<u>(505,502)</u>
Net Change in Cash and Cash Equivalents	(900,379)	96,942
Cash and Cash Equivalents - beginning of year	<u>4,795,758</u>	<u>4,698,816</u>
Cash and Cash Equivalents - end of year	<u>\$ 3,895,379</u>	<u>\$ 4,795,758</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 32.4 million pounds of food including 16.4 million pounds of fresh fruits and vegetables in the 2019 fiscal year (32.6 million pounds of food including 17.5 million of fresh fruits and vegetables in the 2018 fiscal year). The food was procured from purchased food, donations, the government, and our Food Recovery Program. The Food Bank primarily distributes this food through a network of more than 200 strategically located member agencies. The food distribution program also includes programs such as the Children’s Back Pack Program, college and university programs, and our mobile and school pantries. In fiscal year 2019, ACCFB’s distributed pounds decreased slightly by 1%, due in part to lower food donations and, more nutrient dense foods such as leafy greens which weigh less. In fiscal year 2018, food distribution decreased 10.5%. ACCFB distributes all donated and government procured items for free and continues to subsidize purchased shelf-stable items.

Outreach – Multilingual outreach includes the food helpline, FoodNow.net, ComidaAhora.net, and Cal Fresh Outreach. Since 1994, callers to the helpline have been able to receive a same-day bag of food, or hot meal at a location in or near their neighborhood. The CalFresh (formerly known as food stamps and known nationwide as SNAP) Outreach program, serves as the blueprint for programs across the nation. The Food Bank’s CalFresh Outreach staff guides eligible community members through the application process working through the Alameda County Social Services Agency. The CalFresh Outreach program increased applications in 2019. Applications submitted equaled 4,495 during the year ended June 30, 2019 (4,826 in 2018).

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 and capacity building 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 may be new to clients. Services include educational classes, nutrition materials, recipes, cooking classes, and taste testing demos to encourage and support healthful eating. Nutrition education services also help clients maximize their other food resources to bring healthy choices to their families.

Alameda County Community Food Bank

Notes to Financial Statements

Advocacy, Research, and Community Engagement – 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. Research activities include measuring food insecurity and mapping food insecurity with our services to help us strategically improve our services where they are needed most.

Volunteer Program – Volunteers play an evolving role in our work from packaging of fresh produce, bagging children’s food bags, and sorting donated food to helping in a variety of skills- and professional-based ways including consulting on investments. Volunteers are also utilized for the helpline, office assistance, advocacy, and events. During the years ended June 30, 2019 and 2018, volunteer hours were equivalent to 52 full-time employees and 58 full-time employees, respectively. Volunteer hours were 102,762 and 112,667 for the years ended June 30, 2019 and 2018, respectively.

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 purchased food. Total revenue and support increased from fiscal year 2018 primarily due to the increase in foundation grants and relatedly, 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.

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.

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

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.

OPERATING AND NONOPERATING ACCOUNTS

All activities are considered operating except for unrealized gains/losses on investments.

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. Payments on grants receivable are expected to be collected during the year ending June 30, 2020.

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, 2019 and 2018.

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. As of June 30, 2019, discount of \$11,344 was recorded on one promise to give due in more than one year. No discount was recorded as of June 30, 2018.

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, 2019 and 2018.

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 \$1.52 per pound and non-USDA commodities at \$1.62 per pound for the year ended June 30, 2019. Feeding America valued USDA commodities at \$1.57 per pound and non USDA commodities at \$1.68 per pound for the year ended June 30, 2018. The donated commodities distributed includes spoilage and shrinkage for the years ended June 30, 2019 and 2018, of \$769,407 and \$2,139,729, respectively for non USDA items. Shrinkage was \$0 for USDA items for both years. The total spoilage and shrinkage represents 1.6% and 4.4% of the total costs and pounds of food distributed June 30, 2019 and 2018, 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, 2019 and 2018.

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

When the time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions as net assets are released from restrictions.

The Food Bank received and utilized donated goods and services primarily representing, auction event items and professional services totaling \$198,121 and \$176,878 during the years ended June 30, 2019 and 2018, respectively.

The Food Bank regularly utilizes the services of volunteers. The Food Bank volunteers donated 102,762 hours in year ended June 30, 2019, and 112,667 hours in year ended June 30, 2018. 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 \$2.6 million at \$25.43 per hour for the year ended June 30, 2019 (approximately \$2.8 million at \$24.69 per hour in 2018). 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 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 \$277,529 and \$306,938 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, 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 an outside investment manager 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:

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, 2019 and 2018.

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

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

	2019	Level 1	Level 2	Level 3
Municipal bonds	\$ 3,297,089	\$ -	\$ 3,297,089	\$ -
Mutual funds:				
Short-term bond	525,579	525,579	-	-
World bond	471,435	471,435	-	-
Intermediate term bond	410,055	410,055	-	-
Blend	581,105	581,105	-	-
Large value	163,722	163,722	-	-
Foreign large value	-	-	-	-
Real estate	108,941	108,941	-	-
Domestic small/mid value	104,013	104,013	-	-
Foreign small/mid value	60,654	60,654	-	-
Diversified emerging market	51,586	51,586	-	-
Total	<u>\$ 5,774,179</u>	<u>\$ 2,477,090</u>	<u>\$ 3,297,089</u>	<u>\$ -</u>
	2018	Level 1	Level 2	Level 3
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>

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2019 and 2018.

Alameda County Community Food Bank
Notes to Financial Statements

NOTE 3 – PROMISES TO GIVE

Promises to give, net expected to be realized at June 30, are as follows:

	2019	2018
Pledges less than one year	\$ 2,372,389	\$ 628,000
Between one to five years	300,000	-
Present value discount at effective rate of 3.93% and 0%.	(11,344)	-
Total	\$ 2,661,045	\$ 628,000

Seven and four donors comprises the promise to give balance as of June 30, 2019 and 2018, respectively. The largest promise to give as of June 30, 2019 equals \$1,290,000.

NOTE 4 – INVENTORY

Inventory consisted of the following at June 30:

	2019	2018
Government commodities	\$ 1,013,046	\$ 683,360
Donated food	963,557	376,733
Purchased food	333,588	331,222
Total	\$ 2,310,191	\$ 1,391,315

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2019	2018
Building and improvements	\$ 11,053,848	\$ 10,751,475
Land	2,540,575	2,540,575
Office furniture and equipment	1,255,582	1,138,568
Vehicles	1,147,613	958,124
Warehouse equipment	263,952	220,687
	16,261,570	15,609,429
Less: accumulated depreciation	(6,014,371)	(5,312,537)
	10,247,199	10,296,892
Construction in progress	87,436	103,325
Total	\$ 10,334,635	\$ 10,400,217

Alameda County Community Food Bank

Notes to Financial Statements

NOTE 6 – BOARD DESIGNATED NET ASSETS

Board designated appropriations at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Property and equipment, net	\$ 10,334,635	\$ 10,400,217
Inventory	2,310,191	1,391,315
Working capital reserve	1,000,000	1,136,316
Capital projects in process	250,000	400,000
3-month reserve	4,730,831	4,338,589
Emergency reserve	<u>2,783,169</u>	<u>2,656,260</u>
Total	<u>\$ 21,408,826</u>	<u>\$ 20,322,697</u>

The Food Bank's net assets and reserves policy include the following categories:

Property and equipment and inventory - The related asset book values; not financial reserves

Working capital reserve - Estimate needed from July to October before holiday fundraising season starts.

Capital projects in progress – \$250,000 as of June 30, 2019, represents two capital purchases in progress, purchase of a new truck and installation of an emergency backup generator. \$400,000 as of June 30, 2018, also represented expected investment in generator and a truck.

3-month reserve – Three months operating reserve equal to 3 months operating expense excluding depreciation is required by Feeding America.

Emergency reserve – The Food Bank Board has set aside emergency reserve funds to cover unanticipated capital asset losses or operating needs due to natural disaster or other unanticipated need.

The total of working capital, 3-month reserve and emergency reserve, at June 30, 2019 and 2018, represents operating expense excluding depreciation of 5.4 and 5.6 months, respectively.

The \$1,086,129 increase in net assets without donor restrictions is primarily due to the increase in donated inventory on hand. Donated commodities received equaled \$45,338,242 and donated commodities distributed equaled \$44,421,732, for an increase of \$916,510 to net operating income. Without the change in donated commodities, net operating income equaled \$59,899, 0.1% of total revenue.

Alameda County Community Food Bank
Notes to Financial Statements

NOTE 7 – WITH DONOR RESTRICTION NET ASSETS

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

	2019	2018
General operations-time restriction	\$ 2,763,275	\$ 783,000
Resource development	138,076	70,000
Food purchases and distribution	129,719	11,580
Organizational development and research	92,637	82,976
SNAP-CalFresh Outreach	18,126	23,231
Other food distribution and agency capacity	1,000	32,525
Total	\$ 3,142,833	\$ 1,003,312

All net assets with donor restrictions are expected to be released from restriction by June 30, 2021.

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:

	2019	2018
General operations-time restriction	\$ 1,519,973	\$ 870,000
Food purchases and distribution	1,000,438	955,549
Organizational development and research	305,339	634,162
SNAP-CalFresh Outreach	100,105	51,769
Other food distribution and agency capacity	33,525	204,770
Resource development	11,924	50,000
Advocacy	-	21,763
Total	\$ 2,971,304	\$ 2,788,013

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, 2019, 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.

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	\$ 3,895,379	\$ 4,795,758
Grants receivable	951,946	563,587
Promises to give, net	2,661,045	628,000
Program revenue and other receivables	84,656	50,105
Investments	<u>5,774,179</u>	<u>4,767,698</u>
Financial Assets as of June 30, 2019	<u>13,367,205</u>	<u>10,805,148</u>
Less those unavailable for general expenditures within one year, due to:		
Feeding America requirement, 3 - month reserve	4,730,831	4,338,589
Board designated assets, capital improvements	250,000	400,000
Promises to give to be collected in more than one year	<u>300,000</u>	<u>-</u>
Total unavailable for general expenditures within one year	<u>5,280,831</u>	<u>4,738,589</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 8,086,374</u>	<u>\$ 6,066,559</u>

Property and equipment and inventory are included in Board Designated net assets on the Statement of Financial Position but are not shown above because these are non-financial assets and are not easily convertible to financial assets. Also included in Board Designated net assets are working capital and emergency reserves which are available if needed within one year and are therefore not subtracted above.

The Food Bank regularly monitors liquidity required to meet its operating reserves and contractual commitments. The Oversight Committee of the Board meets regularly to review all financial aspects of the organization. The Food Bank's Board has a net assets-reserves policy, see Note 6. The sources of liquidity are listed above. After unavailable financial assets are subtracted, as of June 30, 2019, the Food Bank has remaining financial assets equivalent to an additional 3 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: working capital, capital projects in progress, reserve requirements, capital asset and inventory replacement, planned future operations, 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, 2019 and 2018, were \$315,052 and \$274,082, 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>
2020	\$ 61,427
2021	39,615
2022	25,498
2023	12,618
2024	12,618
Thereafter	4,728
	<u>\$ 156,504</u>

Lease expense for the years ended June 30, 2019 and 2018, was \$59,805 and \$59,435, 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 25, 2019, 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, 2019

Grantor/Pass - through Grantor Program Title	Contract Number	Exhibit Number	Contract Amount	Contract Period	Total Disbursements/ Expenditures
<u>County of Alameda Social Services Agency</u>					
Department of Workforce and Benefits Administration					
Emergency Food and Surplus Food Distribution Program	Contract# 900147-17404	16127	1,328,272	7/1/18-6/30/19	1,328,272
CalFresh Advocacy and Outreach	Board PO# 17563-16373	16087	1,650,853	7/1/18-6/30/19	825,427
Food as Medicine-Measure A	Board PO# 900147-7775	14574	<u>15,000</u>	7/1/18-6/30/19	<u>12,056</u>
			<u>\$ 2,994,125</u>		<u>\$ 2,165,755</u>
<u>City of Hayward</u>					
Department of Library & Community Svcs					
Food Distribution Food Purchase Program	Resolution No.18-090		<u>\$ 40,000</u>	7/1/18-6/30/19	<u>\$ 40,000</u>
<u>City of Oakland Department of Human Services</u>					
Department of Human Services					
Hunger Program Brown Bag Distribution	Resolution No. 86856		<u>\$ 150,000</u>	7/1/18-6/30/19	<u>\$ 129,770</u>
<u>State of California</u>					
California Department of Social Services:					
State Emergency Food Assistance Program	MOU# 15-00105		235,793	7/1/18-6/30/19	235,793
EFAP (Tax Check-Off Disbursement)	MOU# 15-00105		14,127	7/1/18-6/30/19	14,127
EFAP (Food Bank Capacity)	SGRT-19-001		<u>101,490</u>	1/1/19-9/30/20	<u>75,172</u>
			<u>\$ 351,410</u>		<u>\$ 325,092</u>
Total Expenditures of Other Government Awards			<u>\$ 3,535,535</u>		<u>\$ 2,660,617</u>

**Alameda County Community Food Bank
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

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>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	Phase 35	\$ 42,626	\$ 42,626
<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	-	50,060
Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00105	-	257,602
Emergency Food Assistance Program (Supplemental)	10.568	15-MOU-00105	-	21,236
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00103	5,422,255	5,422,255
Total Food Distribution Cluster			5,422,255	5,751,153
<u>Supplemental Nutrition Assistant Program Cluster</u>				
U.S. Department of Agriculture				
Pass - through programs from:				
County of Alameda Social Services Agency -				
CalFresh Advocacy and Outreach	10.561	Board PO# 17563-16373	-	825,427
Nutrition Education Obesity Prevention Program and Coordination	10.561	Procurement Contract #15962	-	4,205
Nutrition Education Obesity Prevention Program and Coordination	10.561	Master Contract# 17631	-	27,895
California Department of Social Services -				
CAFB- CalFresh Outreach Program	10.561	MOU# 16-SUB-00965	-	18,842
CAFB- CalFresh Outreach Program	10.561	MOU# 18-7013	-	68,919
Supplemental Nutrition Assistant Program Cluster			-	945,288
Total Expenditures of Federal Awards			\$ 5,464,881	\$ 6,739,067

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, 2019. 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 \$6,739,067 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, 2019, 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 25, 2019.

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 25, 2019

Report of Independent Auditors on Compliance for the Major Federal Program 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 the 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, 2019. The Food Bank's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the 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 on the Food Bank's compliance.

Opinion on the 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 the major federal program for the year for the year ended June 30, 2019.

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 the 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 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 25, 2019

Alameda County Community Food Bank
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

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 program:

- 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 program and type of auditor's report issued on compliance for major federal program:

<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>
10.568/10.569	Food Distribution Cluster	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

