

**CALIFORNIA ASSOCIATION OF
FOOD BANKS**

**Financial Statements for the Years Ended
December 31, 2019 and 2018
and Independent Auditors' Report**

CALIFORNIA ASSOCIATION OF FOOD BANKS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California Association of Food Banks
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of California Association of Food Banks (a California nonprofit corporation) (the "Organization") which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Organization'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 Organization'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 the Organization as of December 31, 2019, and the results of its operations and its cash flows for the year 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 accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2018 were audited by other auditors whose report dated August 5, 2019 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2020 on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.

Karlsson & Lane, a.c.

Pleasanton, California
August 25, 2020

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and equivalents	\$ 2,526,147	\$ 2,853,020
Accounts receivable	3,067,677	3,317,500
Grants and contributions receivable	200,000	123,500
Government grants receivable	1,830,036	1,519,450
Prepaid expenses and deposits	36,031	56,033
Total current assets	7,659,891	7,869,503
GRANTS AND CONTRIBUTIONS RECEIVABLE	200,000	-
DEPOSITS	14,014	13,814
PROPERTY AND EQUIPMENT, net	14,374	25,873
Total assets	<u>\$ 7,888,279</u>	<u>\$ 7,909,190</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 1,214,008	\$ 1,353,730
Due to subrecipients	1,329,193	1,124,746
Member deposits	359,701	359,701
Total current liabilities	2,902,902	2,838,177
Total liabilities	2,902,902	2,838,177
NET ASSETS		
Net assets without donor restrictions:		
Board designated operating reserve	300,000	300,000
Without board designations	3,476,384	3,203,533
	3,776,384	3,503,533
Net assets with donor restrictions	1,208,993	1,567,480
Total net assets	4,985,377	5,071,013
Total liabilities and net assets	<u>\$ 7,888,279</u>	<u>\$ 7,909,190</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF FOOD BANKS

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support:		
Farm to Family		
Revenues	\$ 23,584,484	\$ 25,661,636
Less: Produce expense and transportation	(22,045,736)	(24,084,227)
CalFresh Outreach contract grants	3,791,299	2,964,259
Other grants and contributions	89,876	296,273
Membership dues	394,545	388,624
Other income	124,157	153,098
	<u>5,938,625</u>	<u>5,379,663</u>
Total revenues and support		
Net assets released from restrictions	<u>1,531,250</u>	<u>1,409,908</u>
Total revenues, support and net assets released from restrictions	<u>7,469,875</u>	<u>6,789,571</u>
Functional expenses:		
Program services	5,947,120	5,318,891
Management and general	1,023,012	726,284
Fundraising	226,892	234,238
	<u>7,197,024</u>	<u>6,279,413</u>
Total expenses		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>272,851</u>	<u>510,158</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,172,763	892,650
Net assets released from restrictions	<u>(1,531,250)</u>	<u>(1,409,908)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(358,487)</u>	<u>(517,258)</u>
CHANGE IN NET ASSETS	(85,636)	(7,100)
NET ASSETS, BEGINNING OF YEAR	<u>5,071,013</u>	<u>5,078,113</u>
NET ASSETS, END OF YEAR	<u>\$ 4,985,377</u>	<u>\$ 5,071,013</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services				Total Expenses
	Farm to Family	CalFresh Outreach	Communication	Policy and Member Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Produce expense and transportation	\$ 22,045,736	\$ -	\$ -	\$ -	\$ 22,045,736	\$ -	\$ -	\$ -	\$ 22,045,736
Program grants and subsidies	56,289	2,757,530	-	280,000	3,093,819	-	-	-	3,093,819
Salaries and related expenses	705,490	530,558	142,781	396,330	1,775,159	534,397	160,568	694,965	2,470,124
Contract service expense	157,723	240,700	36,774	181,176	616,373	401,695	36,487	438,182	1,054,555
Occupancy	61,313	37,485	9,739	27,411	135,948	39,945	17,653	57,598	193,546
Other expenses	9,484	5,245	1,992	138,622	155,343	5,848	5,478	11,326	166,669
Office expenses	27,083	25,637	3,083	18,446	74,249	26,250	6,469	32,719	106,968
Travel expense	24,443	35,527	2,107	34,152	96,229	1,578	237	1,815	98,044
Taxes and fees	-	-	-	-	-	13,299	-	13,299	13,299
Total expenses	23,087,561	3,632,682	196,476	1,076,137	27,992,856	1,023,012	226,892	1,249,904	29,242,760
Less: expenses included in revenues and support	(22,045,736)	-	-	-	(22,045,736)	-	-	-	(22,045,736)
Total functional expenses	<u>\$ 1,041,825</u>	<u>\$ 3,632,682</u>	<u>\$ 196,476</u>	<u>\$ 1,076,137</u>	<u>\$ 5,947,120</u>	<u>\$ 1,023,012</u>	<u>\$ 226,892</u>	<u>\$ 1,249,904</u>	<u>\$ 7,197,024</u>

See notes to financial statements.

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services				Total Expenses
	Farm to Family	CalFresh Outreach	Communication	Policy and Member Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Produce expense and transportation	\$ 24,084,227	\$ -	\$ -	\$ -	\$ 24,084,227	\$ -	\$ -	\$ -	\$ 24,084,227
Program grants and subsidies	161,041	2,172,263	25,000	113,938	2,472,242	-	-	-	2,472,242
Salaries and related expenses	807,631	504,157	80,392	410,858	1,803,038	415,682	198,289	613,971	2,417,009
Contract service expense	220,066	225,478	8,459	200,851	654,854	233,767	8,897	242,664	897,518
Occupancy	67,196	38,102	7,568	29,486	142,352	29,049	15,813	44,862	187,214
Office expenses	30,929	51,788	3,750	12,808	99,275	27,951	4,004	31,955	131,230
Travel expense	17,283	26,343	1,064	67,205	111,895	12,792	529	13,321	125,216
Other expenses	19,552	6,262	1,924	7,497	35,235	7,043	6,706	13,749	48,984
Total expenses	25,407,925	3,024,393	128,157	842,643	29,403,118	726,284	234,238	960,522	30,363,640
Less: expenses included in revenues and support	(24,084,227)	-	-	-	(24,084,227)	-	-	-	(24,084,227)
Total functional expenses	\$ 1,323,698	\$ 3,024,393	\$ 128,157	\$ 842,643	\$ 5,318,891	\$ 726,284	\$ 234,238	\$ 960,522	\$ 6,279,413

See notes to financial statements.

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (85,636)	\$ (7,100)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	11,499	17,657
Loss on disposal of property and equipment	-	25,001
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	249,823	(1,287,572)
Grants and contributions receivable	(276,500)	527,886
Government grants receivable	(310,586)	24,158
Prepaid expenses and deposits	20,002	(24,706)
Accounts payable and accrued liabilities	(139,722)	430,029
Due to subrecipients	204,447	25,470
Net cash used in operating activities	<u>(326,673)</u>	<u>(269,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments of long term deposits	(200)	-
Purchases of property and equipment	-	(9,701)
Net cash used in investing activities	<u>(200)</u>	<u>(9,701)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(326,873)	(278,878)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,853,020</u>	<u>3,131,898</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,526,147</u>	<u>\$ 2,853,020</u>

CALIFORNIA ASSOCIATION OF FOOD BANKS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. NATURE OF OPERATIONS

Organization - California Association of Food Banks (“the Organization”) is a nonprofit public benefit corporation located in Oakland, California. The Organization, together with its 41 member food banks, is the largest charitable hunger-relief effort in the state.

It pursues its mission of ending hunger in California through programs fortifying the nutrition safety net and its members’ charitable cause:

Program services -

- *Farm to Family* - The nation’s largest charitable food recovery program, Farm to Family partners with a network of over 240 growers, farmers, packing houses, and agricultural associations to deliver fresh fruits and vegetables and proteins like dairy and poultry to our food banks across the state. In 2019, Farm to Family supplied food banks with 160 million pounds of fresh produce and proteins, ensuring that the charitable food safety net offers access to nutritious, fresh foods. In 2019, this distribution was valued at approximately \$112 million. Because the Organization acts as an intermediary agent on behalf of its member food banks, this valuation is not recognized as a contribution on the statements of activities.
- *CalFresh Outreach* - CalFresh is California’s name for SNAP, the federal nutrition assistance program recognized as one of the most effective anti-poverty programs in the nation. The Organization’s CalFresh Outreach program supports more than 50 community partners in their efforts to enroll and keep enrolled eligible Californians. Priorities in 2019 included providing CalFresh eligibility trainings, supporting partners’ efforts to reach newly eligible people with disabilities and older adults, and preparing partners for changes in CalFresh policy.
- *Communication* - The Organization is committed to raising awareness about hunger and the essential work of food banks, and to educating the public about food access, the nutrition safety, and the policies impacting it. Additionally, Communications works to support members with events both online and off. Priorities in 2019, included supporting members with resources and tools, utilizing communications strategies to push back against the proposed cuts to the nutrition safety net, and implementing brand guidelines throughout the Organization. Communications played a key role in the 2019 Conference to End Hunger.
- *Public Policy* - Public Policy advances critical administrative, budgetary, and legislative initiatives at the state and federal levels. To protect and strengthen the public and nutrition safety net, and advance its accessibility, quality, equity, and reliance, Public Policy advocates for effective policies and adequate funding. In 2019, Public Policy efforts focused on securing statewide investments in emergency food and capacity, while protecting CalFresh from federal attacks.

- *Member Services* - The Organization provides direct support and resources to its member food banks. The Organization offers trainings, technical assistance, communications resources, advocacy toolkits, and capacity-building grants to our members. Member services communicates regularly with food banks about important policy updates, advocacy opportunities, and special initiatives like a biennial conference, disaster relief coordination and preparedness resources. In 2019, Member Services focused on Capacity Building with the rural and remote food banks and the 2019 Conference to End Hunger.

For membership purposes, a food bank is a nonprofit organization which:

- is tax-exempt under Internal Revenue Service (“IRS”) code 501(c)(3) and California Revenue and Taxation Code Section 23701d;
- is governed by a board of directors that is representative of the community served;
- strives to address the needs of its service area in a comprehensive manner by soliciting, receiving, warehousing, and distributing sufficient quantities of perishable and nonperishable food;
- supports member agencies with food at minimal or no charge;
- and, demonstrates a commitment to non-discrimination and works collegially with other California food banks.

The Organization as a whole operates on contributions and grants, service fees, member dues, and management fees charged to contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation - The financial statements of the Organization are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (“GAAP”) specific to nonprofit organizations. The Organization presents information about its net assets and activities by two net assets classes: without donor restrictions and with donor restrictions.

- **Net Assets Without Donor Restrictions** - Net assets which have not been specifically restricted by a donor. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.
- **Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts, Grants, and Contributions Receivable - Accounts, grants and contributions receivable represent amounts due from member food banks, contractors and grantors. Accounts receivable balances with charges over thirty days old are considered delinquent and management begins collection efforts at this time. Delinquent receivables do not accrue interest. The Organization continually monitors the credit worthiness of each receivable and recognizes allowances for estimated bad debts on receivable balances that are no longer estimated to be collectible. The Organization adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. There was no allowance considered necessary at December 31, 2019 and 2018, respectively.

Property and Equipment - Property and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment over \$1,500. The fair value of all donated property and equipment is similarly capitalized. Depreciation has been provided on the straight-line method based on the useful lives of the assets, which range from three to seven years.

Grants and Contributions - Grants and contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give of \$9,193,124 are not included on the 2019 statement of activities, and will be recognized when such conditions are substantially met in future years. All contributions are considered available for unrestricted use unless specifically restricted by the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Conditional promises to give for restricted purposes are presented as contributions without donor restrictions on the statements of activities upon the simultaneous satisfaction of the condition and restriction.

Revenue Recognition - The Organization sells produce and other food products to its member food banks through the Farm to Family program at cost plus an administrative fee. Revenue is recognized upon delivery of the food to the member food banks. Shipping expenses related to delivery of food to member food banks is recognized upon delivery to the member food banks and is presented on the statements of activities as a reduction in Farm to Family revenue.

Membership contracts begin and end in line with the Organization's fiscal year, and all performance obligations are complete and revenue recognized as of December 31, 2019.

Contributed Goods and Services - The Organization operates the Farm to Family program as an intermediary agent for its food bank members, soliciting donations of produce for distribution to those food banks. Because the Organization acts as an intermediary agent on behalf of its member food banks, these donations are not recognized as contributions on the statements of activities. During the years ended December 31, 2019 and 2018, those donations totaled approximately 160 million and 161 million pounds with a fair value of approximately \$112 million and \$85 million, respectively. The fair value is based on an annual study by Feeding America that valued donated food at \$0.70 and \$0.53 per pound for the years ended December 31, 2019 and 2018, respectively.

Income Taxes - The Organization is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. As such, the Organization qualifies for the maximum charitable contribution deduction by donors.

Currently, the 2016 through 2018 information returns are open and subject to examination. In management's judgment there are no uncertain tax positions as of December 31, 2019.

Functional Expense Classification - the Organization charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Expenses common to several functions are allocated based on a measure of usage that best relates to the particular expense.

Concentrations and Credit Risk - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and equivalents and various accounts, grants and contributions receivable. The Organization's cash is maintained in demand deposits and in money funds in high quality financial institutions. Cash balances at December 31, 2019 exceeded federal insurance limits by approximately \$2,851,000. The Organization generally does not maintain collateral for its receivable balances, and does not believe significant credit risk exists at December 31, 2019. Two food banks represented 35% of total accounts receivable at December 31, 2019. One donor accounted for 100% of grants and contributions receivable at December 31, 2019. One government agency accounted for 100% of government grants receivable at December 31, 2019. One government agency accounted for 100% of CalFresh outreach grant revenues during the year ended December 31, 2019.

Reclassifications - Certain 2018 balances have been reclassified to conform to the 2019 financial statement presentation.

Change in Accounting Principle - During 2019, the Organization adopted the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update 2018-08, *Not-for-Profit Entities* (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This update assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it provides new criteria to determine whether a contribution is conditional or unconditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization adopted the update using a modified prospective approach effective January 1, 2019. The new principle reclassified revenue from government contracts from exchange transactions to contributions, but did not materially affect the revenue recognition from prior year.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Office equipment	\$ 183,723	\$ 183,723
Less: Accumulated depreciation	(169,349)	(157,850)
Net property and equipment	\$ 14,374	\$ 25,873

4. MEMBERSHIP DEPOSITS

Membership deposits represent funds received from member food banks that participate in the Farm to Family program. Deposited funds are held by the Organization and serve as a bridge of working capital, addressing the timing difference between payment for the purchase of produce and the receipt of invoiced balances from members.

5. LINE OF CREDIT

The Organization has a bank line of credit with a maximum borrowing limit of \$500,000. The line of credit matures in November 2021. The line of credit is secured by the Organization’s assets. Interest of 0.5% over the bank's prime rate is payable monthly (5.25% at December 31, 2019). There was no outstanding balance at December 31, 2019 and 2018.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met by either actions of the Organization and/or the passage of time. At December 31, 2019 and 2018, net assets with donor restrictions consisted of the following:

	2019	2018
Farm to Family and member services	\$ 250,000	\$ -
Member services	-	290,626
Farm to Family	-	64,666
Policy	203,667	454,814
Communication, member services, and sub-grants	47,826	263,285
CalFresh Outreach	7,500	31,377
Time restriction	700,000	462,712
Total	<u>\$ 1,208,993</u>	<u>\$ 1,567,480</u>

7. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Organization has cash and cash equivalents available.

The Organization reviews various measures of liquidity and cash balances with the board of directors and finance committee each quarter. The Organization has designated \$300,000 to be set aside for unanticipated expenses and maintains a \$500,000 line of credit, which is held for cautionary purposes only and was not drawn down in 2019 or 2018.

The Organization maintains receivable balances primarily with its member food banks and the State of California and all of those balances are considered current, with no history of bad debts. The Organization's Farm to Family program acquires food on behalf of its members and sells the food to member food banks at cost, with a nominal service charge to cover program and administrative expenses. Thus, the Organization's financial assets are held primarily to fund ongoing operating expenses.

Financial assets available for general expenditures within one year at December 31, 2019 consisted of the following:

Financial assets:

Cash and cash equivalents	\$ 2,526,147
Accounts and grants receivable	<u>5,297,713</u>
Total financial assets	<u>7,823,860</u>

Less amounts unavailable for general expenditures withing one year due to:

Purpose restricted projects	(1,208,993)
Board designated reserve	<u>(300,000)</u>
Total amounts unavailable for general expenditures within one year	<u>(1,508,993)</u>

Total financial assets available for general expenditures within one year	<u>\$ 6,314,867</u>
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8. OPERATING LEASES

The Organization leases facilities under a non-cancelable operating lease. The lease matures November 2020. The Organization is required to make minimum rent payments of \$119,141 in 2020. The Organization has an option to renew the lease for five years at a rate of 95% of the prevailing market rates for similar space in the immediate market. Rental expense was \$152,681 and \$136,166 for the years ended December 31, 2019 and 2018, respectively.

9. RETIREMENT PLAN

Pursuant to Section 403(b) of the Internal Revenue Code, the Organization contributes to a tax sheltered annuity plan (the "Plan") for qualifying employees. The Organization contributes a 5% match of employee contributions to the Plan each year. Employer contributions totaled \$79,837 and \$61,099 for the years ended December 31, 2019 and 2018, respectively.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 25, 2020, which is the date the financial statements were available to be issued.

Subsequent to year end, the World Health Organization characterized a novel strain of coronavirus (“Covid19”) as a pandemic. As of the date through which the Organization has evaluated subsequent events, the Organization believes it understands the risk associated with the Covid19 pandemic. The Organization is in the process of evaluating risk mitigation procedures related to the virus’ impact, if any, on all aspects of the Organization’s business transactions with customers and vendors, and human interaction within and outside of the Organization.

CALIFORNIA ASSOCIATION OF FOOD BANKS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Program Title/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program passed through the California Department of Social Services	10.561	18-7013	\$ 3,564,469	\$ 2,690,030
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program passed through the California Department of Social Services	10.561	17-7016	<u>146,080</u>	<u>-</u>
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>3,710,549</u>	<u>2,690,030</u>
Total U.S. Department of Agriculture			<u>3,710,549</u>	<u>2,690,030</u>
Total expenditures of federal awards			<u>\$ 3,710,549</u>	<u>\$ 2,690,030</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

CALIFORNIA ASSOCIATION OF FOOD BANKS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2019

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes federal award activity of the Organization under programs of the federal government for the year ended December 31, 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B - Summary of Significant Accounting Policies

- (1) 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.
- (2) The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
California Association of Food Banks
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of California Association of Food Banks (a California nonprofit organization) ("the Organization") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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 August 25, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope and our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrison & Lane, a.c.

Pleasanton, California
August 25, 2020



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

To the Board of Directors of
California Association of Food Banks
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited California Association of Food Banks's ("the Organization") 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 Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Organization'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 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 Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Organization'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.

Harlsson & Lane, a.c.

Pleasanton, California
August 25, 2020

CALIFORNIA ASSOCIATION OF FOOD BANKS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2019

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared according to U.S. GAAP: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified:	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be a material weakness?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No
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Identification of major federal programs:

CDFA Number(s)
10.561

Name of Federal Program or Cluster
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

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

Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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(continued)

CALIFORNIA ASSOCIATION OF FOOD BANKS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2019

II. Financial Statement Findings

None.

III. Federal Awards Findings and Questioned Costs

None.

IV. Prior Year Findings

Not applicable.