

**California Association of Food Banks**  
Financial Statements

December 31, 2015  
(With Summarized Comparative  
Information for December 31, 2014)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
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 nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Association of Food Banks as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the California Association of Food Bank's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2016 on our consideration of California Association of Food Banks' 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 the 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 California Association of Food Banks' internal control over financial reporting and compliance.



Armanino<sup>LLP</sup>  
San Jose, California

July 21, 2016

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Statement of Financial Position  
December 31, 2015  
(With Comparative Totals for 2014)

ASSETS

	2015	2014
Current assets		
Cash and cash equivalents	\$ 3,306,641	\$ 3,216,127
Accounts receivable	1,842,443	1,240,649
Grants receivable	17,368	115,000
Government contracts receivable	1,241,819	727,714
Prepaid expenses	21,302	41,576
Total current assets	6,429,573	5,341,066
Property and equipment, net	66,439	20,913
Rent deposit	13,814	13,814
Total assets	\$ 6,509,826	\$ 5,375,793

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$ 2,306,818	\$ 1,240,056
Payable to subrecipients	464,716	877,592
Member deposits	359,701	359,701
Total current liabilities	3,131,235	2,477,349
Net assets		
Unrestricted		
Undesignated	2,319,882	1,946,997
Board designated - operating reserves	300,000	300,000
Total unrestricted	2,619,882	2,246,997
Temporarily restricted	758,709	651,447
Total net assets	3,378,591	2,898,444
Total liabilities and net assets	\$ 6,509,826	\$ 5,375,793

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

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Statement of Activities  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Support and revenue				
Farm to Family	\$ 16,564,511	\$ -	\$ 16,564,511	\$ 13,147,382
Less charges of Farm to Family	<u>(15,241,254)</u>	-	<u>(15,241,254)</u>	<u>(12,103,176)</u>
Net revenue, Farm to Family	1,323,257	-	1,323,257	1,044,206
CalFresh Outreach (CFO)	2,479,431	-	2,479,431	2,404,511
Less charges of CFO	<u>(1,776,356)</u>	-	<u>(1,776,356)</u>	<u>(1,690,660)</u>
Net revenue, CFO	703,075	-	703,075	713,851
Grants and contributions	339,622	799,368	1,138,990	1,425,440
Member dues	324,584	-	324,584	269,413
Other income	97,711	-	97,711	10,700
Net assets released from restrictions	<u>692,106</u>	<u>(692,106)</u>	-	-
Total support and revenue	<u>3,480,355</u>	<u>107,262</u>	<u>3,587,617</u>	<u>3,463,610</u>
Expenses				
Programs	2,312,715	-	2,312,715	2,169,856
Management and general	604,087	-	604,087	522,948
Fundraising	<u>190,668</u>	-	<u>190,668</u>	<u>89,752</u>
Total expenses	<u>3,107,470</u>	-	<u>3,107,470</u>	<u>2,782,556</u>
Change in net assets	<u>372,885</u>	<u>107,262</u>	<u>480,147</u>	<u>681,054</u>
Net assets, beginning of year	<u>2,246,997</u>	<u>651,447</u>	<u>2,898,444</u>	<u>2,217,390</u>
Net assets, end of year	<u>\$ 2,619,882</u>	<u>\$ 758,709</u>	<u>\$ 3,378,591</u>	<u>\$ 2,898,444</u>

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

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Statement of Functional Expenses  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	2015						2014
	Policy						
	Farm to Family	CalFresh Outreach	and Member Services	Total Programs	Management and General	Fundraising	Total
Salaries	\$ 396,056	\$ 305,246	\$ 266,550	\$ 967,852	\$ 356,483	\$ 117,565	\$ 1,441,900
Benefits	57,764	48,251	41,912	147,927	37,881	19,780	205,588
Payroll taxes	32,183	25,551	22,012	79,746	28,755	9,936	118,437
	486,003	379,048	330,474	1,195,525	423,119	147,281	1,765,925
Professional fees	-	7,329	-	7,329	26,896	-	34,225
Contract services	341,545	6,274	183,397	531,216	51,287	24,682	607,185
Occupancy	27,136	21,113	18,024	66,273	20,150	5,474	91,897
Telecommunications	7,587	3,371	6,955	17,913	4,558	865	23,336
Supplies and equipment expenses	12,812	6,965	7,411	27,188	23,357	1,725	52,270
Printing and postage	2,983	5,489	22,168	30,640	4,618	191	35,449
Marketing	22,503	-	-	22,503	749	-	23,252
Meeting and travel	49,234	24,439	150,091	223,764	12,050	3,146	238,960
Member produce subsidy	65,402	49,500	-	114,902	-	-	114,902
Produce expense and transportation	10,917	-	-	10,917	-	-	10,917
Member grants	-	40,696	-	40,696	-	-	40,696
Insurance	1,461	1,149	1,000	3,610	1,101	305	5,016
Dues and subscriptions	2,297	492	1,446	4,235	4,879	4,335	13,449
License, fees and permits	4,442	2,119	1,469	8,030	5,580	472	14,082
Interest and bank charges	137	92	83	312	5,618	13	5,943
Depreciation and amortization	2,433	1,898	1,668	5,999	2,268	538	8,805
Miscellaneous	1,074	300	289	1,663	17,857	1,641	21,161
Total expenses	\$ 1,037,966	\$ 550,274	\$ 724,475	\$ 2,312,715	\$ 604,087	\$ 190,668	\$ 3,107,470
							\$ 2,782,556

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

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Statement of Cash Flows  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 480,147	\$ 681,054
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	8,805	8,942
Change in operating assets and liabilities		
Accounts receivable	(601,794)	392,191
Grants receivable	97,632	(115,000)
Government contracts receivable	(514,105)	215,767
Prepaid expenses	20,274	(17,038)
Accounts payable and accrued liabilities	1,066,762	58,605
Payable to subrecipients	(412,876)	(346,341)
Member deposits	-	(38,500)
Net cash provided by operating activities	144,845	839,680
Cash flows from investing activities		
Acquisition of property and equipment	(54,331)	-
Net cash used in investing activities	(54,331)	-
Net increase in cash and cash equivalents	90,514	839,680
Cash and cash equivalents, beginning of year	3,216,127	2,376,447
Cash and cash equivalents, end of year	\$ 3,306,641	\$ 3,216,127

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



CALIFORNIA ASSOCIATION OF FOOD BANKS  
Notes to Financial Statements  
December 31, 2015 and 2014

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1. Organization and Summary of Significant Accounting Policies

Organization

California Association of Food Banks (the "Organization", CAFB) is a nonprofit organization located in Oakland, California. The Organization's mission is to provide a unified voice among food banks to maximize their ability to build a well-nourished California. For membership purposes, a food bank is a nonprofit organization, which is tax-exempt under Section 501(c)(3) of the Internal Revenue Code that is governed by a Board of Directors which represents the community it serves and, on a regular basis, solicits, receives, warehouses, and distributes donated food within a defined service area, principally to a wide range of nonprofit agencies that operate food assistance programs for low-income people.

The Organization as a whole survives on grants, service fees, member dues and management fees on contracts.

Program services

Farm to Family Program

The Farm to Family program plays a vital role in delivering fresh fruits and vegetables to people in need throughout California. Working with growers, packers and food banks in every part of the state, CAFB provides surplus and "cull" (e.g., misshapen or cosmetically blemished) fruits and vegetables to its 43 member food banks and other select partners. The program has been an overwhelming success, increasing its distribution of fresh produce delivered to 152 million pounds in 2015, while allowing low-income Californians to include healthful fresh foods in their diet. In 2015 this distribution was valued at approximately \$82,000,000. Because CAFB acts as an intermediary agent on behalf of its member food banks, this valuation is not recognized as a contribution.

CalFresh Outreach

Working with the California Department of Social Services and through a statewide network of local food banks and nonprofit organizations, CAFB delivers statewide programs with a goal to reduce hunger and food insecurity in California by helping eligible people to enroll in CalFresh (formerly known as the Food Stamp Program).

Policy and Member Services Programs

CAFB provides a variety of services such as information and referral, technical assistance, a biannual conference, and member networking to help support food banks in operating strong organizations with high quality programming, and also acts as an advocate with a goal to reduce hunger in California.

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Notes to Financial Statements  
December 31, 2015 and 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets and changes therein are classified as follows:

- Unrestricted net assets - net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. The Organization does not imply a time restriction on gifts of long lived assets.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of December 31, 2015, the Organization had no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Temporarily restricted revenues received that meet the donor-imposed stipulation during the same fiscal period are recorded as temporarily restricted revenue and are released from restriction in the corresponding fiscal period.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Cash and cash equivalents

The Organization places its cash with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits. The Organization has not experienced any losses in such accounts. For purposes of the statement of cash flows, the Organization considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts, grants and government contracts receivable

Accounts and grants receivable represent amounts due from member food banks, grantors and contractors. Although the Organization is on the allowance method, management has determined that an allowance for bad debts is not required. Accounts, grants and government contract receivables that are deemed uncollectible are charged to expense in the period collection efforts have been exhausted and the accounts or grants become worthless. The Organization does not charge interest on past due receivables.

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Notes to Financial Statements  
December 31, 2015 and 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment is recorded at cost or estimated fair value for donated items. Equipment purchases over \$2,500 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed. Depreciation and amortization are computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 7 years.

In-kind contributions

The CAFB Farm to Family program acts as intermediary agent for its food bank members, soliciting donations of produce for distribution to those food banks. Because CAFB acts as intermediary agent on behalf of its member food banks, these donations are not recognized as contributions. During the years ended December 31, 2015 and 2014, those donations totaled 151,753,829 and 135,808,238 pounds with a fair value totaling \$81,947,068 and \$86,917,272, respectively. The fair value is based on a Feeding America study that valued fresh fruits and vegetables at \$.54 and \$.64 per pound, respectively.

Income taxes

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

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2015, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other function but provide for the overall support and direction of the Organization.

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 amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uses of estimates include, but are not limited to, accounting for the allowance for doubtful contributions receivable, depreciation and the allocation of certain indirect costs.

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Notes to Financial Statements  
December 31, 2015 and 2014

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1. Organization and Summary of Significant Accounting Policies (continued)

Subsequent events

The Organization has evaluated subsequent events through July 21, 2016, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

2. Property and Equipment

Property and equipment consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Office equipment and software	\$ 149,218	\$ 94,887
Less accumulated depreciation and amortization	<u>(82,779)</u>	<u>(73,974)</u>
Property and equipment, net	<u>\$ 66,439</u>	<u>\$ 20,913</u>

Depreciation and amortization expense was \$8,805 and \$8,942 for the years ended December 31, 2015 and 2014, respectively.

3. Member Deposits

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

4. Retirement Plan

The Organization sponsors a retirement plan, under Section 403(b) of the Internal Revenue Code, which includes all employees. Employees are eligible to make elective deferrals immediately upon employment. Employees are eligible to receive employer contributions after completing one year of service with a minimum of 501 hours of service. During the year ended December 31, 2015 and 2014, the Organization made retirement contributions of \$59,206 and \$53,683 respectively.

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Notes to Financial Statements  
December 31, 2015 and 2014

5. Commitments

Noncancelable leases

The Organization leases office space and office equipment under noncancelable leases expiring in 2016 and 2020. Minimum future rental payments as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 117,388
2017	119,400
2018	123,028
2019	126,656
2020	<u>119,149</u>
Total	<u>\$ 605,621</u>

Rent expense, was \$91,897 and \$79,969 for the years ended December 31, 2015 and 2014, respectively.

Line of credit

The Organization has a line of credit with a financial institution in the amount of \$250,000 with a maturity date of October 31, 2016. Interest at an initial rate of 5.75% per annum applies to advances under the line of credit. At December 31, 2015 and 2014, the Organization had an outstanding balance of \$0.

6. Temporarily Restricted Net Assets

Temporarily restricted net asset activity was as follows:

	<u>Balance at December 31, 2014</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance at December 31, 2015</u>
Member Services –				
Disaster Preparedness Alliance to Transform	\$ -	\$ 100,000	\$ 75,648	\$ 24,352
CalFresh	58,236	175,000	106,763	126,473
CalFresh Outreach	-	55,000	55,000	-
Protein Acquisition Pilot	-	450,000	3,565	446,435
Policy	76,163	17,368	73,716	19,815
Farm to Family	<u>517,048</u>	<u>2,000</u>	<u>377,414</u>	<u>141,634</u>
	<u>\$ 651,447</u>	<u>\$ 799,368</u>	<u>\$ 692,106</u>	<u>\$ 758,709</u>

SUPPLEMENTARY INFORMATION

CALIFORNIA ASSOCIATION OF FOOD BANKS  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2015

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Pass-Through Programs From			
California Department of Social Services			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program			
CalFresh Outreach	10.561	14-3035	\$ 2,392,642
Pass-Through Programs From			
California Department of Food and Agriculture			
Specialty Crop Block Grant Program - Farm Bill	10.170	37	<u>86,789</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 2,479,431</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
 are an integral part of this supplementary information.

CALIFORNIA ASSOCIATION OF FOOD BANKS  
 Schedule of Expenditures of Federal Awards  
 (Continued)  
 December 31, 2015

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1. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR), 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.

2. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting.
- (2) Expenditures of federal awards made on or after December 26, 2014 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.
- (3) Expenditures of federal awards made prior to December 26, 2014 are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Subrecipients

Of the federal expenditures presented in the Schedule, the Organization provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – CalFresh Outreach	\$ 1,776,356

4. Indirect Cost Rate

California Association of Food Banks has not elected to use the 10% de minimis indirect cost rate as allowed under the *Uniform Guidance*.



OTHER AUDITOR'S REPORTS

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

To the Board of Directors  
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 the California Association of Food Banks (the "Organization"), which comprise the statement of financial position as of December 31, 2015, 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 July 21, 2016.

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the California Association of Food Banks' 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.



Armanino<sup>LLP</sup>  
San Jose, California

July 21, 2016

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

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

**Report on Compliance for Each Major Federal Program**

We have audited California Association of Food Banks' (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, 2015. 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 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 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, California Association of Food Banks 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, 2015.

## 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.



Armanino<sup>LLP</sup>  
San Jose, California

July 21, 2016

CALIFORNIA ASSOCIATION OF FOOD BANKS  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2015

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Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_yes      X  no
- Significant deficiency(ies) identified? \_\_\_\_\_yes      X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes      X  no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_yes      X  no
- Significant deficiency(ies) identified? \_\_\_\_\_yes      X  none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_yes      X  no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	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?   X  yes    \_\_\_\_\_no

CALIFORNIA ASSOCIATION OF FOOD BANKS  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2015  
(Continued)

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Section II - Summary of Financial Statements Findings

None

Section III - Summary of Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Year Findings

N/A