

**California Association of Food Banks**

Financial Statements  
and Single Audit Reports and Schedules

December 31, 2016  
(With Comparative Totals for 2015)



## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12
Single Audit Reports and Schedules	
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 <i>Government Auditing Standards</i>	14 - 15
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	16 - 17
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20 - 21



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of California Association of Food Banks (a nonprofit organization)(the "Organization"), which comprise the statement of financial position as of December 31, 2016, 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 of America. 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

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 June 12, 2017, 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.

## **Report on Summarized Comparative Information**

We have previously audited California Association of Food Banks' 2015 financial statements, and our report dated July 21, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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

June 12, 2017

California Association of Food Banks  
Statement of Financial Position  
December 31, 2016  
(With Comparative Totals for 2015)

	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,652,381	\$ 3,306,641
Accounts receivable	2,305,695	1,842,443
Grants receivable	372,500	17,368
Government grants receivable	1,342,702	1,241,819
Prepaid expenses	<u>32,946</u>	<u>21,302</u>
Total current assets	<u>6,706,224</u>	<u>6,429,573</u>
Noncurrent assets		
Grants receivable, long term	200,000	-
Property and equipment, net	73,202	66,439
Deposits	<u>13,814</u>	<u>13,814</u>
Total noncurrent assets	<u>287,016</u>	<u>80,253</u>
Total assets	<u>\$ 6,993,240</u>	<u>\$ 6,509,826</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,604,601	\$ 2,306,818
Payable to subrecipients	973,769	464,716
Member deposits	<u>359,701</u>	<u>359,701</u>
Total current liabilities	<u>2,938,071</u>	<u>3,131,235</u>
Net assets		
Unrestricted		
Undesignated	2,334,057	2,319,882
Board-designated	<u>300,000</u>	<u>300,000</u>
Total unrestricted	2,634,057	2,619,882
Temporarily restricted	<u>1,421,112</u>	<u>758,709</u>
Total net assets	<u>4,055,169</u>	<u>3,378,591</u>
Total liabilities and net assets	<u>\$ 6,993,240</u>	<u>\$ 6,509,826</u>

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, 2016  
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues				
Farm to Family				
Revenues	\$ 21,103,680	\$ -	\$ 21,103,680	\$ 16,564,511
Costs of revenues	<u>(19,592,035)</u>	<u>-</u>	<u>(19,592,035)</u>	<u>(15,241,254)</u>
Total Farm to Family	<u>1,511,645</u>	<u>-</u>	<u>1,511,645</u>	<u>1,323,257</u>
CalFresh Outreach				
Revenues	2,512,757	-	2,512,757	2,479,431
Cost of revenues	<u>(1,767,828)</u>	<u>-</u>	<u>(1,767,828)</u>	<u>(1,776,356)</u>
Total CalFresh Outreach	<u>744,929</u>	<u>-</u>	<u>744,929</u>	<u>703,075</u>
Total revenues	2,256,574	-	2,256,574	2,026,332
Grants and contributions	58,739	1,369,450	1,428,189	1,138,990
Member dues	343,937	-	343,937	324,584
Other income	10,350	-	10,350	97,711
Net assets released from restrictions	<u>707,047</u>	<u>(707,047)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>3,376,647</u>	<u>662,403</u>	<u>4,039,050</u>	<u>3,587,617</u>
Functional expenses				
Program services	2,307,792	-	2,307,792	2,312,715
Management and general	937,930	-	937,930	604,087
Fundraising	<u>116,750</u>	<u>-</u>	<u>116,750</u>	<u>190,668</u>
Total functional expenses	<u>3,362,472</u>	<u>-</u>	<u>3,362,472</u>	<u>3,107,470</u>
Change in net assets	14,175	662,403	676,578	480,147
Net assets, beginning of year	<u>2,619,882</u>	<u>758,709</u>	<u>3,378,591</u>	<u>2,898,444</u>
Net assets, end of year	<u>\$ 2,634,057</u>	<u>\$ 1,421,112</u>	<u>\$ 4,055,169</u>	<u>\$ 3,378,591</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, 2016  
(With Comparative Totals for 2015)

	Program Services				Support Services		2016 Total	2015 Total
	Farm to Family	CalFresh	Policy and Member Services	Total Program Services	Management and General	Fundraising		
Personnel expenses								
Salaries	\$ 547,782	\$ 327,903	\$ 243,437	\$ 1,119,122	\$ 466,653	\$ 79,140	\$ 1,664,914	\$ 1,441,900
Payroll taxes	45,143	27,575	19,747	92,465	38,071	6,983	137,519	118,437
Benefits	88,055	44,740	40,407	173,202	75,937	11,134	260,274	205,588
Total personnel expenses	<u>680,980</u>	<u>400,218</u>	<u>303,591</u>	<u>1,384,789</u>	<u>580,661</u>	<u>97,257</u>	<u>2,062,707</u>	<u>1,765,925</u>
Hiring and training	376	144	-	520	71,560	-	72,080	16,480
Contract services	222,462	11,713	170,356	404,531	165,200	9,227	578,959	641,410
Occupancy	45,668	25,018	17,860	88,546	36,055	4,506	129,106	91,897
Telecommunications	9,485	4,207	6,679	20,371	8,171	698	29,240	23,336
Supplies and equipment	5,491	5,959	8,468	19,918	28,649	377	48,944	52,270
Printing and postage	3,372	24,069	28,857	56,298	3,048	64	59,411	35,449
Marketing	-	36	487	523	84	-	608	23,252
Meeting and travel	17,064	15,906	43,982	76,952	16,053	15	93,019	238,960
Member produce subsidy	-	65,250	-	65,250	-	-	65,250	49,500
Produce expense and transportation	(1,301)	-	-	(1,301)	-	-	(1,301)	10,917
Member grants	114,666	42,339	-	157,005	-	-	157,005	106,098
Insurance	1,789	977	705	3,471	1,177	176	4,823	5,016
Dues and subscriptions	1,470	293	1,182	2,945	2,471	2,887	8,303	13,449
License, fees and permits	5,816	3,185	1,993	10,994	18,711	670	30,376	14,082
Interest and bank charges	2,455	1,314	945	4,714	2,007	258	6,977	5,943
Depreciation	5,968	3,260	2,285	11,513	4,048	615	16,177	8,805
Miscellaneous	768	(15)	-	753	35	-	788	4,681
	<u>\$ 1,116,529</u>	<u>\$ 603,873</u>	<u>\$ 587,390</u>	<u>\$ 2,307,792</u>	<u>\$ 937,930</u>	<u>\$ 116,750</u>	<u>\$ 3,362,472</u>	<u>\$ 3,107,470</u>

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, 2016  
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 676,578	\$ 480,147
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	16,177	8,805
Changes in operating assets and liabilities		
Accounts receivable	(463,252)	(601,794)
Grants receivable	(555,132)	97,632
Government grants receivable	(100,883)	(514,105)
Prepaid expenses	(11,644)	20,274
Accounts payable and accrued liabilities	(702,217)	1,066,762
Payable to subrecipients	509,053	(412,876)
Net cash provided by (used in) operating activities	(631,320)	144,845
Cash flows from investing activities		
Purchase of property and equipment	(22,940)	(54,331)
Net cash used in investing activities	(22,940)	(54,331)
Net increase (decrease) in cash and cash equivalents	(654,260)	90,514
Cash and cash equivalents, beginning of year	3,306,641	3,216,127
Cash and cash equivalents, end of year	\$ 2,652,381	\$ 3,306,641

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

California Association of Food Banks  
Notes to Financial Statements  
December 31, 2016  
(With Comparative Totals for 2015)

1. NATURE OF OPERATIONS AND ORGANIZATION

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* - 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 163 million pounds in 2016, while allowing low-income Californians to include healthful fresh foods in their diet. In 2016 this distribution was valued at approximately \$109,000,000. 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* - 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement 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.

California Association of Food Banks  
Notes to Financial Statements  
December 31, 2016  
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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* - Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of December 31, 2016, 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.

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.

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, 2015, from which the summarized information was derived.

California Association of Food Banks  
Notes to Financial Statements  
December 31, 2016  
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Receivables

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. The \$200,000 balance of noncurrent grants receivable are expected to be collected in 2018. The Organization has determined that a discount on noncurrent grants receivable would be nominal and has not recognized a discount.

Property and equipment

Property and equipment is recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,500 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.

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.

Income tax status

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.

California Association of Food Banks  
Notes to Financial Statements  
December 31, 2016  
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2016, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Subsequent events

The Organization has evaluated subsequent events through June 12, 2017, 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.

Contributed goods and services

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, 2016 and 2015, those donations totaled 162,635,344 and 151,753,829 pounds with a fair value totaling \$108,965,680 and \$81,947,068, respectively. The fair value is based on a Feeding America study that valued fresh fruits and vegetables at \$.67 and \$.64 per pound, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016	2015
Office equipment and software	\$ 172,158	\$ 149,218
Accumulated depreciation	(98,956)	(82,779)
	\$ 73,202	\$ 66,439

Depreciation and amortization expense was \$16,177 and \$8,805 for the years ended December 31, 2016 and 2015, respectively.

4. 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.

California Association of Food Banks  
Notes to Financial Statements  
December 31, 2016  
(With Comparative Totals for 2015)

5. 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, 2016 and 2015, the Organization made retirement contributions of \$60,016 and \$59,206, respectively.

6. COMMITMENTS

Noncancelable leases

The Organization leases office space and office equipment under noncancelable leases expiring in 2020.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 125,213
2018	128,841
2019	132,468
2020	<u>102,693</u>
	<u>\$ 489,215</u>

Rent expense, was \$129,106 and \$91,897 for the years ended December 31, 2016 and 2015, respectively.

California Association of Food Banks  
Notes to Financial Statements  
December 31, 2016  
(With Comparative Totals for 2015)

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity was as follows:

	December 31, <u>2015</u>	<u>Revenues</u>	<u>Expenditures</u>	December 31, <u>2016</u>
Member Services - Disaster Preparedness	\$ 24,352	\$ -	\$ (24,352)	\$ -
Alliance to Transform				
CalFresh	126,473	225,420	(201,731)	150,162
CalFresh Outreach	-	182,500	(72,500)	110,000
Protein Acquisition Pilot	446,435	-	(82,625)	363,810
Policy	19,815	272,580	(30,508)	261,887
Farm to Family	141,634	78,950	(194,581)	26,003
Nutrition Education	-	10,000	(750)	9,250
Time Restriction	-	600,000	(100,000)	500,000
	<u>\$ 758,709</u>	<u>\$ 1,369,450</u>	<u>\$ (707,047)</u>	<u>\$ 1,421,112</u>

8. 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, 2017. Interest at a rate of 5.00% per annum applies to advances under the line of credit. At December 31, 2016 and 2015, the Organization had no outstanding balance under the line of credit.

SINGLE AUDIT REPORTS AND SCHEDULES

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 California Association of Food Banks (a nonprofit organization)(the "Organization"), which comprise the statement of financial position as of December 31, 2016, 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 June 12, 2017.

### **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 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.



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

June 12, 2017



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 (a nonprofit organization)(the "Organization")'s 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, 2016. 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 "U.S."); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S.; 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* (the "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, 2016.

## 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 weakness 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 Francisco, California

June 12, 2017

California Association of Food Banks  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Expenditures of Federal Awards</u>				
U.S. Department of Agriculture				
Pass-through program from				
California Department of Social Services				
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Program CalFresh				
Outreach				
	10.561	14-3035	\$ 2,422,768	\$ 1,767,828
California Department of Food and Agriculture Specialty				
Crop Block Grant Program - Farm Bill				
	10.170	37	<u>89,989</u>	<u>-</u>
			<u>2,512,757</u>	<u>1,767,828</u>
Total Expenditures of Federal Awards			<u>\$ 2,512,757</u>	<u>\$ 1,767,828</u>

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

California Association of Food Banks  
Notes to Schedule of Expenditures of Federal Awards  
December 31, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of California Association of Food Banks (the "Organization") under programs of the federal government for the year ended December 31, 2016. 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.

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 limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. 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.

California Association of Food Banks  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	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)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

California Association of Food Banks  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2016

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

SECTION V - CORRECTIVE ACTION PLAN

There is no corrective action plan required.