

California Association of Food Banks

Financial Statements
and Single Audit Reports and Schedules

December 31, 2017
(With Comparative Totals for 2016)



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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, 2017, 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, 2017, 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 1, 2018, 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' 2016 financial statements, and our report dated June 12, 2017 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

July 19, 2018

California Association of Food Banks
Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,131,898	\$ 2,652,381
Accounts receivable	2,029,928	2,305,695
Grants receivable	551,386	372,500
Government grants receivable	1,543,608	1,342,702
Prepaid expenses	31,327	32,946
Total current assets	7,288,147	6,706,224
Noncurrent assets		
Grants receivable, long term	100,000	200,000
Property and equipment, net	58,830	73,202
Deposits	13,814	13,814
Total noncurrent assets	172,644	287,016
 Total assets	 \$ 7,460,791	 \$ 6,993,240
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 923,701	\$ 1,604,601
Payable to subrecipients	1,099,276	973,769
Member deposits	359,701	359,701
Total current liabilities	2,382,678	2,938,071
Net assets		
Unrestricted		
Undesignated	2,693,375	2,334,057
Board-designated	300,000	300,000
Total unrestricted	2,993,375	2,634,057
Temporarily restricted	2,084,738	1,421,112
Total net assets	5,078,113	4,055,169
 Total liabilities and net assets	 \$ 7,460,791	 \$ 6,993,240

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, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenues, gains and other support				
Farm to Family				
Revenues	\$ 21,222,730	\$ -	\$ 21,222,730	\$ 21,103,680
Costs of revenues	<u>(19,703,001)</u>	<u>-</u>	<u>(19,703,001)</u>	<u>(19,592,035)</u>
Total Farm to Family	<u>1,519,729</u>	<u>-</u>	<u>1,519,729</u>	<u>1,511,645</u>
CalFresh Outreach				
Revenues	2,935,197	-	2,935,197	2,512,757
Cost of revenues	<u>(2,118,884)</u>	<u>-</u>	<u>(2,118,884)</u>	<u>(1,767,828)</u>
Total CalFresh Outreach	<u>816,313</u>	<u>-</u>	<u>816,313</u>	<u>744,929</u>
Support and other				
Grants and contributions	207,398	1,669,686	1,877,084	1,428,189
Member dues	364,775	-	364,775	343,937
Other income	118,960	-	118,960	10,350
Net assets released from restrictions	<u>1,006,060</u>	<u>(1,006,060)</u>	<u>-</u>	<u>-</u>
Total support and other	<u>1,697,193</u>	<u>663,626</u>	<u>2,360,819</u>	<u>1,782,476</u>
Total revenues, gains and other support	<u>4,033,235</u>	<u>663,626</u>	<u>4,696,861</u>	<u>4,039,050</u>
Functional expenses				
Program services	2,731,935	-	2,731,935	2,307,792
Management and general	771,890	-	771,890	937,930
Fundraising	<u>170,092</u>	<u>-</u>	<u>170,092</u>	<u>116,750</u>
Total functional expenses	<u>3,673,917</u>	<u>-</u>	<u>3,673,917</u>	<u>3,362,472</u>
Change in net assets	359,318	663,626	1,022,944	676,578
Net assets, beginning of year	<u>2,634,057</u>	<u>1,421,112</u>	<u>4,055,169</u>	<u>3,378,591</u>
Net assets, end of year	<u>\$ 2,993,375</u>	<u>\$ 2,084,738</u>	<u>\$ 5,078,113</u>	<u>\$ 4,055,169</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, 2017
(With Comparative Totals for 2016)

	Program Services					Support Services		2017 Total	2016 Total
	Farm to Family	CalFresh Outreach	Communication	Policy and Member Services	Total Program Services	Management and General	Fundraising		
Personnel expenses									
Salaries	\$ 555,857	\$ 388,587	\$ 118,436	\$ 291,769	\$ 1,354,649	\$ 387,379	\$ 117,801	\$ 1,859,829	\$ 1,664,914
Payroll taxes	45,482	31,984	9,427	23,578	110,471	30,845	9,473	150,789	137,519
Benefits	111,368	56,731	14,993	48,101	231,193	72,917	23,915	328,025	260,274
Total personnel expenses	712,707	477,302	142,856	363,448	1,696,313	491,141	151,189	2,338,643	2,062,707
Hiring and training	630	-	-	180	810	3,073	-	3,883	72,080
Contract services	127,995	64,286	3,537	139,909	335,727	169,424	4,205	509,356	578,959
Occupancy	37,917	21,209	5,932	14,438	79,496	23,642	6,010	109,148	129,106
Telecommunications	10,361	5,864	1,099	9,551	26,875	8,781	1,106	36,762	29,240
Supplies and equipment	4,656	42,369	1,393	3,948	52,366	13,087	477	65,930	48,944
Printing and postage	2,371	11,523	119	968	14,981	2,049	109	17,139	59,411
Marketing	251	-	10,439	101	10,791	78	-	10,869	608
Meeting and travel	21,356	31,035	1,337	187,410	241,138	17,719	326	259,183	93,019
Member grants	-	67,500	-	12,717	80,217	-	-	80,217	65,250
Produce expense and transportation	5,434	-	-	-	5,434	-	-	5,434	(1,301)
Member produce subsidy	128,541	-	-	-	128,541	-	-	128,541	157,005
Insurance	2,781	1,560	437	1,073	5,851	1,592	442	7,885	4,823
Dues and subscriptions	2,149	561	533	1,341	4,584	1,815	2,862	9,261	8,303
License, fees and permits	14,099	5,864	1,617	3,979	25,559	4,156	2,116	31,831	30,376
Interest and bank charges	2,188	1,252	350	860	4,650	1,270	354	6,274	6,977
Depreciation	5,724	3,159	884	2,226	11,993	3,348	896	16,237	16,177
Miscellaneous	6,324	-	-	285	6,609	30,715	-	37,324	788
	<u>\$ 1,085,484</u>	<u>\$ 733,484</u>	<u>\$ 170,533</u>	<u>\$ 742,434</u>	<u>\$ 2,731,935</u>	<u>\$ 771,890</u>	<u>\$ 170,092</u>	<u>\$ 3,673,917</u>	<u>\$ 3,362,472</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, 2017
(With Comparative Totals for 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,022,944	\$ 676,578
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	16,237	16,177
Changes in operating assets and liabilities		
Accounts receivable	275,767	(463,252)
Grants receivable	(78,886)	(555,132)
Government grants receivable	(200,906)	(100,883)
Prepaid expenses	1,619	(11,644)
Accounts payable and accrued liabilities	(680,900)	(702,217)
Payable to subrecipients	125,507	509,053
Net cash provided by (used in) operating activities	481,382	(631,320)
Cash flows from investing activities		
Purchase of property and equipment	(1,865)	(22,940)
Net cash used in investing activities	(1,865)	(22,940)
Net increase (decrease) in cash and cash equivalents	479,517	(654,260)
Cash and cash equivalents, beginning of year	2,652,381	3,306,641
Cash and cash equivalents, end of year	\$ 3,131,898	\$ 2,652,381

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

California Association of Food Banks
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

1. NATURE OF OPERATIONS AND ORGANIZATION

Organization

California Association of Food Banks (the "Organization" or "CAFB") is a nonprofit organization located in Oakland, California. The Organization's mission is to end hunger in California. For membership purposes, a food bank is a nonprofit organization which: 1) is tax-exempt under IRS code 501(c)(3) and California Revenue and Taxation Code Section 23701d; 2) is governed by a board of directors that is representative of the community served; 3) 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; 4) supports member agencies with food at minimal or no charge; and, 5) demonstrates a commitment to nondiscrimination and works collegially with other California food banks.

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 41 member food banks and other select partners. The program has been an overwhelming success, increasing its distribution of fresh produce delivered to 159 million pounds in 2017, while allowing low-income Californians to include healthy fresh foods in their diet. In 2017, this distribution was valued at approximately \$84.5 million. Because CAFB acts as an intermediary agent on behalf of its member food banks, this valuation is not recognized as a contribution to CAFB.
- *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 biennial 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.
- CAFB fulfills a commitment to public education on matters related to reducing hunger in California, and invests in communications work through its website, blog, social media, media relations, member support, and special projects, such as *Voices of SNAP*.

California Association of Food Banks
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

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.
- *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, 2017, 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.

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, 2016, from which the summarized information was derived.

California Association of Food Banks
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

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 needed based on its review of outstanding receivables. 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 \$100,000 balance of noncurrent grants receivable are expected to be collected in 2019. The Organization has determined that a discount on noncurrent grants receivable at December 31, 2017 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, 2017
(With Comparative Totals for 2016)

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, 2017, 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 1, 2018, 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, 2017 and 2016, those donations totaled 159,377,638 and 162,635,344 pounds with a fair value totaling \$84,470,148 and \$108,965,680, respectively. The fair value is based on a Feeding America study that valued produce at \$.53 & \$.67 per pound, respectively.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Office equipment and software	\$ 174,022	\$ 172,158
Accumulated depreciation	(115,192)	(98,956)
	\$ 58,830	\$ 73,202

Depreciation and amortization expense was \$16,237 and \$16,177 for the years ended December 31, 2017 and 2016, 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 CAFB 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, 2017
(With Comparative Totals for 2016)

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, 2017 and 2016, the Organization made retirement contributions of \$71,787 and \$60,016, 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>	
2018	\$ 128,841
2019	132,468
2020	<u>120,885</u>
	<u>\$ 382,194</u>

Rent expense was \$109,148 and \$129,106 for the years ended December 31, 2017 and 2016, respectively.

California Association of Food Banks
Notes to Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity was as follows:

	December 31, <u>2016</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Reclass</u>	December 31, <u>2017</u>
Member Services -					
Disaster Preparedness	\$ -	\$ 405,000	\$ (38,943)	\$ -	\$ 366,057
Alliance to Transform					
CalFresh	150,162	307,500	(206,446)	-	251,216
CalFresh Outreach	110,000	75,000	(79,080)	(105,920)	-
Protein Acquisition Pilot	363,810	-	(236,280)	-	127,530
Policy	261,887	473,886	(258,863)	136	477,046
Farm to Family	26,003	158,300	(46,889)	-	137,414
Nutrition Education	9,250	-	(9,114)	(136)	-
Time Restriction	<u>500,000</u>	<u>250,000</u>	<u>(130,445)</u>	<u>105,920</u>	<u>725,475</u>
	<u>\$ 1,421,112</u>	<u>\$1,669,686</u>	<u>\$ (1,006,060)</u>	<u>\$ -</u>	<u>\$ 2,084,738</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, 2018. Interest at a rate of 7.25% per annum applies to advances under the line of credit. At December 31, 2017 and 2016, 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, 2017, 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 19, 2018.

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^{LLP}
San Francisco, California

July 19, 2018



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") 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, 2017. 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, 2017.

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^{LLP}
San Francisco, California

July 19, 2018

California Association of Food Banks
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2017

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	\$ 2,935,197	\$ 2,118,884
Total Expenditures of Federal Awards			<u>\$ 2,935,197</u>	<u>\$ 2,118,884</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, 2017

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, 2017. 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, 2017

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, 2017

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.