

California Association of Food Banks

Financial Statements
and Single Audit Reports and Schedules

December 31, 2018
(With Comparative Totals for 2017)



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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 corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, 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, 2018, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

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 August 5, 2019, 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited California Association of Food Banks's 2017 financial statements, and our report dated July 19, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2018 financial statements, we also audited the adjustments to the 2017 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino^{LLP}
San Francisco, California

August 5, 2019

California Association of Food Banks
Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,853,020	\$ 3,131,898
Accounts receivable	3,317,500	2,029,928
Grants receivable	123,500	551,386
Government grants receivable	1,519,450	1,543,608
Prepaid expenses	56,033	31,327
Total current assets	7,869,503	7,288,147
Noncurrent assets		
Grants receivable, long term	-	100,000
Property and equipment, net	25,873	58,830
Deposits	13,814	13,814
Total noncurrent assets	39,687	172,644
Total assets	\$ 7,909,190	\$ 7,460,791
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,353,730	\$ 923,701
Payable to subrecipients	1,124,746	1,099,276
Member deposits	359,701	359,701
Total current liabilities	2,838,177	2,382,678
Net assets		
Without donor restrictions	3,503,533	2,993,375
With donor restrictions	1,567,480	2,084,738
Total net assets	5,071,013	5,078,113
Total liabilities and net assets	\$ 7,909,190	\$ 7,460,791

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, 2018
(With Comparative Totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues, gains and other support				
Farm to Family				
Revenues	\$ 25,661,634	\$ -	\$ 25,661,634	\$ 21,222,730
Costs of revenues	<u>(24,086,142)</u>	<u>-</u>	<u>(24,086,142)</u>	<u>(19,703,001)</u>
Total Farm to Family	<u>1,575,492</u>	<u>-</u>	<u>1,575,492</u>	<u>1,519,729</u>
CalFresh Outreach				
Revenues	2,964,259	-	2,964,259	2,935,197
Cost of revenues	<u>(2,082,263)</u>	<u>-</u>	<u>(2,082,263)</u>	<u>(2,118,884)</u>
Total CalFresh Outreach	<u>881,996</u>	<u>-</u>	<u>881,996</u>	<u>816,313</u>
Support and other				
Grants and contributions	296,273	892,650	1,188,923	1,877,084
Member dues	388,624	-	388,624	364,775
Other income	153,103	-	153,103	118,960
Net assets released from restrictions	<u>1,409,908</u>	<u>(1,409,908)</u>	<u>-</u>	<u>-</u>
Total support and other	<u>2,247,908</u>	<u>(517,258)</u>	<u>1,730,650</u>	<u>2,360,819</u>
Total revenues, gains and other support	<u>4,705,396</u>	<u>(517,258)</u>	<u>4,188,138</u>	<u>4,696,861</u>
Functional expenses				
Program services	3,234,712	-	3,234,712	2,731,935
Management and general	726,287	-	726,287	771,890
Fundraising	<u>234,239</u>	<u>-</u>	<u>234,239</u>	<u>170,092</u>
Total functional expenses	<u>4,195,238</u>	<u>-</u>	<u>4,195,238</u>	<u>3,673,917</u>
Change in net assets	510,158	(517,258)	(7,100)	1,022,944
Net assets, beginning of year	<u>2,993,375</u>	<u>2,084,738</u>	<u>5,078,113</u>	<u>4,055,169</u>
Net assets, end of year	<u>\$ 3,503,533</u>	<u>\$ 1,567,480</u>	<u>\$ 5,071,013</u>	<u>\$ 5,078,113</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, 2018
(With Comparative Totals for 2017)

	Program Services					Support Services		2018 Total	2017 Total
	Farm to Family	CalFresh Outreach	Communication	Policy and Member Services	Total Program Services	Management and General	Fundraising		
Personnel expenses									
Salaries	\$ 635,846	\$ 412,842	\$ 67,911	\$ 333,603	\$ 1,450,202	\$ 325,522	\$ 164,002	\$ 1,939,726	\$ 1,859,829
Payroll taxes	51,777	34,047	5,386	26,962	118,172	25,822	12,886	156,880	150,789
Benefits	120,008	57,267	7,095	50,293	234,663	64,338	21,401	320,402	328,025
Total personnel expenses	<u>807,631</u>	<u>504,156</u>	<u>80,392</u>	<u>410,858</u>	<u>1,803,037</u>	<u>415,682</u>	<u>198,289</u>	<u>2,417,008</u>	<u>2,338,643</u>
Expenses									
Hiring and training	273	-	90	205	568	165	730	1,463	3,883
Contract services	219,793	225,478	8,369	200,646	654,286	233,782	8,336	896,404	509,356
Occupancy	50,874	27,855	5,740	19,618	104,087	22,158	9,921	136,166	109,148
Telecommunications	7,631	5,322	3,010	5,080	21,043	8,819	805	30,667	36,762
Supplies and equipment	19,914	42,247	427	3,420	66,008	13,012	3,065	82,085	65,930
Printing and postage	3,384	4,206	146	1,729	9,465	2,625	134	12,224	17,139
Marketing	-	13	167	1,310	1,490	-	-	1,490	10,869
Meeting and travel	19,430	28,922	1,237	70,171	119,760	17,179	1,048	137,987	259,183
Member grants	-	2,172,263	25,000	86,000	2,283,263	-	-	2,283,263	2,199,101
Produce expense and transportation	24,084,227	-	-	-	24,084,227	-	-	24,084,227	19,708,435
Member produce subsidy	161,041	-	-	27,938	188,979	-	-	188,979	128,541
Insurance	3,049	1,671	343	1,177	6,240	1,325	597	8,162	7,885
Dues and subscriptions	3,028	1,274	987	3,793	9,082	2,341	4,636	16,059	9,261
License, fees and permits	11,126	5,997	1,312	6,995	25,430	4,676	4,776	34,882	31,831
Interest and bank charges	2,904	1,401	248	1,267	5,820	1,190	571	7,581	6,274
Depreciation	6,616	3,587	689	2,454	13,346	2,980	1,331	17,657	16,237
Miscellaneous	6,986	-	-	-	6,986	353	-	7,339	37,324
Total expenses	<u>24,600,276</u>	<u>2,520,236</u>	<u>47,765</u>	<u>431,803</u>	<u>27,600,080</u>	<u>310,605</u>	<u>35,950</u>	<u>27,946,635</u>	<u>23,157,159</u>
Less expenses included in revenues, gains and other support	<u>(24,086,142)</u>	<u>(2,082,263)</u>	<u>-</u>	<u>-</u>	<u>(26,168,405)</u>	<u>-</u>	<u>-</u>	<u>(26,168,405)</u>	<u>(21,821,885)</u>
Total expenses included in expense section on the statement of activities	<u>\$ 1,321,765</u>	<u>\$ 942,129</u>	<u>\$ 128,157</u>	<u>\$ 842,661</u>	<u>\$ 3,234,712</u>	<u>\$ 726,287</u>	<u>\$ 234,239</u>	<u>\$ 4,195,238</u>	<u>\$ 3,673,917</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, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (7,100)	\$ 1,022,944
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	17,657	16,237
Loss on disposal of property and equipment	25,001	-
Changes in operating assets and liabilities		
Accounts receivable	(1,287,572)	275,767
Grants receivable	527,886	(78,886)
Government grants receivable	24,158	(200,906)
Prepaid expenses	(24,706)	1,619
Accounts payable and accrued liabilities	430,029	(680,900)
Payable to subrecipients	25,470	125,507
Net cash provided by (used in) operating activities	(269,177)	481,382
Cash flows from investing activities		
Purchase of property and equipment	(9,701)	(1,865)
Net cash used in investing activities	(9,701)	(1,865)
Net increase (decrease) in cash and cash equivalents	(278,878)	479,517
Cash and cash equivalents, beginning of year	3,131,898	2,652,381
Cash and cash equivalents, end of year	\$ 2,853,020	\$ 3,131,898

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

California Association of Food Banks
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

1. NATURE OF OPERATIONS

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 23701(d); 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 161 million pounds in 2018, while allowing low-income Californians to include healthy fresh foods in their diet. In 2018, this distribution was valued at approximately \$85.3 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).
- *Communication* - 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*.
- *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.

California Association of Food Banks
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - represent resources which have not been specifically restricted by a donor. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.
- *Net assets with donor restrictions* - net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. The Organization does not imply a time restriction on gifts of long lived assets.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of net assets with donor restrictions (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.

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.

California Association of Food Banks
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

2. 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 \$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.

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, 2018 and 2017, those donations totaled 161,061,138 and 159,377,638 pounds with a fair value totaling \$85,362,403 and \$84,470,148, respectively. The fair value is based on a Feeding America study that valued produce at \$.53 per pound.

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.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2018, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

California Association of Food Banks
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017, from which the summarized information was derived.

Change in accounting principle

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
 - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
 - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
 - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.

California Association of Food Banks
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

- e. Methods used to allocate costs among program and support functions.

The Organization adopted the provisions of this new standard during the year ended December 31, 2018. The amendments have been applied to 2017, with the option to omit the disclosure about liquidity and availability of resources for the prior year comparative period.

Subsequent events

The Organization has evaluated subsequent events through August 5, 2019, 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.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	2018	2017
Office equipment and software	\$ 183,723	\$ 174,022
Accumulated depreciation	(157,850)	(115,192)
	\$ 25,873	\$ 58,830

Depreciation expense was \$17,657 and \$16,237 for the years ended December 31, 2018 and 2017, 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.

5. LINE OF CREDIT

The Organization had a line of credit with a financial institution in the amount of \$250,000 which matured on October 31, 2018. Advances on the line of credit bore interest at a rate of 7.25% per annum. At December 31, 2017, the Organization had no outstanding balance under this line of credit.

California Association of Food Banks
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

5. LINE OF CREDIT (continued)

On November 11, 2018, the Organization entered into a new line of credit agreement with a financial institution in the amount of \$500,000. The line of credit matures on November 26, 2019. Advances under the line of credit bears interest at the Prime rate plus 0.5% per annum. At December 31, 2018, the Organization had no outstanding balance under the line of credit.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	December 31, <u>2017</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Reclass</u>	December 31, <u>2018</u>
Member Services Alliance to Transform	\$ 366,057	\$ 250,000	\$ (347,405)	\$ 21,974	\$ 290,626
CalFresh	251,216	247,000	(274,948)	40,017	263,285
CalFresh Outreach	-	100,000	(100,557)	31,934	31,377
Protein Acquisition Pilot	127,530	-	(96,445)	(31,085)	-
Policy	477,046	147,500	(366,314)	196,582	454,814
Farm to Family	137,414	23,150	(174,239)	78,341	64,666
Time restriction	<u>725,475</u>	<u>125,000</u>	<u>(50,000)</u>	<u>(337,763)</u>	<u>462,712</u>
	<u>\$ 2,084,738</u>	<u>\$ 892,650</u>	<u>\$ (1,409,908)</u>	<u>\$ -</u>	<u>\$ 1,567,480</u>

7. 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, 2018 and 2017, the Organization made retirement contributions of \$79,555 and \$71,787, respectively.

8. COMMITMENTS

Noncancelable leases

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

California Association of Food Banks
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

8. COMMITMENTS (continued)

Noncancelable leases (continued)

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

Year ending December 31,

2019		\$	132,468
2020			<u>120,885</u>
		<u>\$</u>	<u>253,353</u>

Rent expense was \$136,166 and \$109,148 for the years ended December 31, 2018 and 2017, respectively.

9. LIQUIDITY AND FUNDS AVAILABLE

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

CAFB reviews various measures of liquidity and cash balances with the Board-Finance Committee each month. The CAFB Board has designated \$300,000 to be set aside for unanticipated expenses and maintains a \$500,000 line of credit, which is held for cautionary purposes only and has not been drawn upon in the past 5 years. The CAFB Board-Finance Committee have set 7 months in cash as the minimum for 2019.

CAFB maintains receivable balances primarily with its member food banks and the State of California and all of those balances are considered current, with no history of write-downs. CAFB's Farm-to-Family Program acquires food on behalf of its members and sells the food to member food banks at cost, with a nominal uplift to cover program and administrative expenses. Thus, CAFB's financial assets are held primarily to fund ongoing operating expenses of the agency.

For internal budgeting and planning purposes the CAFB Board, as of December 31, 2018, has designated \$2,744,586 of net assets plus \$359,701 of funds advanced by members to be used specifically in support of the Farm-to-Family Program. This designation is made in order to ensure CAFB has sufficient working capital to fund the timing difference between funding Farm-to-Family's cost to acquire and transport food to the member food banks and the subsequent reimbursement of those costs.

California Association of Food Banks
Notes to Financial Statements
December 31, 2018
(With Comparative Totals for 2017)

9. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2018 to fund general expenditures and other obligations as they become due:

Financial assets	
Cash and cash equivalents	\$ 2,853,021
Accounts receivable	3,317,500
Grants receivable	123,500
Government grants receivable	<u>1,519,450</u>
	<u>7,813,471</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Purpose restricted projects	(1,567,480)
California license plate deposits	(42,339)
Board designated net assets	<u>(300,000)</u>
	<u>(1,909,819)</u>
	<u>\$ 5,903,652</u>
Average Monthly Operating Expenses	\$ 349,603
Multiples of Average Monthly Operating Expense	16.8 x

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 corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2019.

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

August 5, 2019



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 corporation) (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, 2018. 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* (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, 2018.

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^{LLP}
San Francisco, California

August 5, 2019

California Association of Food Banks
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2018

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	\$ 2,964,259	\$ 2,082,263
Total Expenditures of Federal Awards			<u>\$ 2,964,259</u>	<u>\$ 2,082,263</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, 2018

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, 2018. 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, 2018

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, 2018

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.

California Association of Food Banks
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2018

There were no prior year findings.