

DRAFT

**CALIFORNIA ASSOCIATION OF
FOOD BANKS**

**Financial Statements for the Years Ended
December 31, 2021 and 2020
and Independent Auditors' Report**

CALIFORNIA ASSOCIATION OF FOOD BANKS

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of California Association of Food Banks (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 schedule of expenditures of federal awards 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 September __, 2022 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 solely 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.

DRAFT
Pleasanton, California

September __, 2022

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and equivalents	\$ 9,693,544	\$ 21,867,615
Investments	7,022,546	-
Accounts receivable	5,366,768	5,982,616
Grants and contributions receivable	3,333,482	2,586,669
Prepaid expenses and deposits	367,537	37,458
Total current assets	25,783,877	30,474,358
GRANTS AND CONTRIBUTIONS RECEIVABLE	60,000	200,000
DEPOSITS	14,014	14,014
PROPERTY AND EQUIPMENT, net	4,918	8,800
Total assets	<u>\$ 25,862,809</u>	<u>\$ 30,697,172</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,213,984	\$ 3,005,550
Accrued liabilities	418,125	360,022
Refundable advances	31,500	7,632,764
Due to subrecipients	2,095,079	637,064
Member deposits	-	359,701
Total current liabilities	4,758,688	11,995,101
Total liabilities	4,758,688	11,995,101
NET ASSETS		
Net assets without donor restrictions:		
Board designated operating reserve	300,000	300,000
Without board designations	18,637,911	13,931,771
	18,937,911	14,231,771
Net assets with donor restrictions	2,166,210	4,470,300
Total net assets	21,104,121	18,702,071
Total liabilities and net assets	<u>\$ 25,862,809</u>	<u>\$ 30,697,172</u>

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

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and support:		
Farm to Family		
Revenues	\$ 71,370,553	\$ 87,590,998
Less: Produce expense and transportation	(65,327,927)	(68,074,292)
CalFresh Outreach contract grants	4,160,629	3,518,871
Other grants and contributions	2,131,368	453,454
Membership dues	568,642	531,808
Other income	4,769	5,917
Investment income	85,758	-
Total revenues and support	12,993,792	24,026,756
Net assets released from restrictions	8,698,127	6,881,944
Total revenues, support and net assets released from restrictions	21,691,919	30,908,700
Functional expenses:		
Program services	15,963,995	19,415,150
Management and general	695,349	764,988
Fundraising	326,435	273,175
Total expenses	16,985,779	20,453,313
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,706,140	10,455,387
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	6,394,037	10,143,251
Net assets released from restrictions	(8,698,127)	(6,881,944)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(2,304,090)	3,261,307
CHANGE IN NET ASSETS	2,402,050	13,716,694
NET ASSETS, BEGINNING OF YEAR	18,702,071	4,985,377
NET ASSETS, END OF YEAR	\$ 21,104,121	\$ 18,702,071

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

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services				Total Expenses
	Food Distribution	CalFresh and Public Benefits Outreach	Communication	Public Policy and Member Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Produce expense and transportation	\$ 65,327,927	\$ -	\$ -	\$ -	\$ 65,327,927	\$ -	\$ -	\$ -	\$ 65,327,927
Program grants and subsidies	7,663,242	3,360,895	-	891,778	11,915,915	1,000	-	1,000	11,916,915
Salaries and related expenses	1,335,061	719,319	259,103	675,249	2,988,732	264,781	278,324	543,105	3,531,837
Contract service expense	169,569	15,719	365,978	172,252	723,518	327,511	24,449	351,960	1,075,478
Occupancy	67,654	33,499	13,384	42,042	156,579	35,578	13,857	49,435	206,014
Office expenses	71,563	13,292	28,120	3,186	116,161	34,890	8,444	43,334	159,495
Travel expense	15,148	165	751	34,525	50,589	17,344	367	17,711	68,300
Other expenses	6,758	1,292	551	3,900	12,501	13,894	994	14,888	27,389
Taxes and fees	-	-	-	-	-	351	-	351	351
Total expenses	74,656,922	4,144,181	667,887	1,822,932	81,291,922	695,349	326,435	1,021,784	82,313,706
Less: Produce expense and transportation presented against revenues and support	(65,327,927)	-	-	-	(65,327,927)	-	-	-	(65,327,927)
Total functional expenses	<u>\$ 9,328,995</u>	<u>\$ 4,144,181</u>	<u>\$ 667,887</u>	<u>\$ 1,822,932</u>	<u>\$ 15,963,995</u>	<u>\$ 695,349</u>	<u>\$ 326,435</u>	<u>\$ 1,021,784</u>	<u>\$ 16,985,779</u>

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

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services				Total Expenses
	Food Distribution	CalFresh & Public Benefits Outreach	Communication	Public Policy and Member Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Produce expense and transportation	\$ 68,074,292	\$ -	\$ -	\$ -	\$ 68,074,292	\$ -	\$ -	\$ -	\$ 68,074,292
Program grants and subsidies	10,540,183	2,631,512	-	2,851,211	16,022,906	-	-	-	16,022,906
Salaries and related expenses	1,254,261	582,802	222,908	554,973	2,614,944	326,482	240,141	566,623	3,181,567
Contract service expense	167,989	70,575	44,616	190,465	473,645	333,169	9,944	343,113	816,758
Occupancy	78,556	33,610	10,533	26,952	149,651	29,647	13,025	42,672	192,323
Office expenses	48,255	13,187	14,455	19,201	95,098	50,461	3,677	54,138	149,236
Other expenses	14,320	4,250	1,328	5,756	25,654	17,469	5,771	23,240	48,894
Travel expense	11,150	4,404	2,672	13,401	31,627	6,875	617	7,492	39,119
Taxes and fees	-	-	1,625	-	1,625	885	-	885	2,510
Total expenses	80,189,006	3,340,340	298,137	3,661,959	87,489,442	764,988	273,175	1,038,163	88,527,605
Less: Produce expense and transportation presented against revenues and support	(68,074,292)	-	-	-	(68,074,292)	-	-	-	(68,074,292)
Total functional expenses	\$ 12,114,714	\$ 3,340,340	\$ 298,137	\$ 3,661,959	\$ 19,415,150	\$ 764,988	\$ 273,175	\$ 1,038,163	\$ 20,453,313

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

CALIFORNIA ASSOCIATION OF FOOD BANKS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,402,050	\$ 13,716,694
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	3,882	5,574
Investment income and gains	(85,758)	-
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	615,848	(2,914,939)
Grants and contributions receivable	(606,813)	(556,633)
Prepaid expenses and deposits	(330,079)	(1,427)
Accounts payable	(791,566)	2,199,775
Accrued liabilities	58,103	(48,211)
Refundable advances	(7,601,264)	7,632,764
Due to subrecipients	1,458,015	(692,129)
Net cash (used in) provided by operating activities	<u>(4,877,582)</u>	<u>19,341,468</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	<u>(6,936,788)</u>	-
Net cash used in investing activities	<u>(6,936,788)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of member deposits	<u>(359,701)</u>	-
Net cash used in financing activities	<u>(359,701)</u>	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,174,071)	19,341,468
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>21,867,615</u>	<u>2,526,147</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 9,693,544</u></u>	<u><u>\$ 21,867,615</u></u>

CALIFORNIA ASSOCIATION OF FOOD BANKS

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. NATURE OF OPERATIONS

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

The Organization pursues its mission of ending hunger in California through programs fortifying the charitable and public nutrition safety nets and supporting the collective success of its members. In 2021 the Organization adopted a new strategic plan, centering its core priorities on removing barriers to food banks receiving increased volumes and varieties of fresh produce, becoming the leading source of information on food security in California, developing catalyst programs for food banks to serve hard-to-reach population, and advocating for anti-hunger legislation and sustained access to resources for food banks across the state.

Distributing over 235 million pounds of produce and securing \$180 million in emergency food for its members, the Organization continued to play a strategic role in the pandemic response, given persistently high rates of food insecurity throughout the state. The Organization continued its focus on supplying food banks with healthy foods to support surge capacity operations; activating its advocacy leadership to secure historic access to food resources and infrastructure funding to build capacity for California’s food banks; and supporting the statewide effort to enroll millions throughout the state in Supplemental Nutrition Assistance Program (“SNAP”) applications and utilization.

Program services -

- *Food Distribution* - In 2021, the Organization partnered with public agencies and private philanthropy to supply more than 235 million pounds of food to food banks. This included more than 212 million pounds of fresh fruits and vegetables and 23 million pounds of quality proteins and pantry essentials to keep food banks stocked during the unprecedented hunger crisis. The Organization's Farm to Family operation is the nation's most extensive charitable food recovery program, working with a network of over two hundred and forty agricultural partners throughout the state. The program's infrastructure proved critical to providing in-the-moment hunger relief to Californians through the pandemic and to the timely supply of other critical resources such as PPE and cold storage.

- *CalFresh & Public Benefits Outreach Programs* - CalFresh is California's name for SNAP (formerly "food stamps"), recognized as one of the most effective anti-poverty programs in the nation. The Organization's CalFresh Outreach program supports over fifty community partners throughout the state in their efforts to enroll eligible Californians, help them keep their benefits, and educate the outreach and stakeholder community. In 2021, priorities included supporting outreach workers through complex rule changes and the historic surge in new applications for CalFresh and pandemic Electronic Benefit Transfer cards ("P-EBT"). Activities included conducting remote online outreach training and preparing translations of Disaster SNAP outreach materials.
- *Communication* - The Organization is committed to raising public and stakeholder communities' understanding of hunger and its health and social impacts. This includes lifting up the essential work of food banks and educating the public about food access issues, CalFresh and other public nutrition benefits, and policy priorities to permanently end hunger in California.
- *Public Policy* - The Organization's advocacy team leads the fight to eradicate food insecurity and hunger in California, advancing legislative and budget initiatives and conducting administrative advocacy at the state and federal levels to prioritize equity in strengthening the public and charitable nutrition safety nets. The Organization advocates robust investments in food banks and public benefits adequacy and improvements. In 2021, advocacy efforts focused on securing record amounts of emergency food for food banks across the state, infrastructure funding to help increase food bank capacity, advocating for P-EBT benefits to feed children and their families; and advocating passage of anti-hunger legislation that seeks to change policies which systematically perpetuate hunger in Black, Latin, and Indigenous communities.
- *Member Engagement* - The Organization provides direct support and resources to its member food banks through training, technical assistance, advocacy toolkits, and securing capacity-building grants and resources. In 2021 the Organization launched new virtual member programs to increase the resilience and capacity of its members by hosting professional development webinars and discipline-specific cross-network communities of practice to share best practices and find innovative solutions to challenges faced by food banks across the state.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Investments - Investments are carried at fair value. Fair value is determined based on quoted market prices. Unrealized gains and losses are included in the change in net assets. Purchases and sales of investments are recognized on the trade date of the transaction. Investments received by donation are recorded at fair value at the date of donation. Dividend and interest income are accrued when earned.

Accounts, Grants, and Contributions Receivable - Accounts, grants and contributions receivable represent amounts due from member food banks, contractors and grantors. Accounts receivable balances with charges over thirty days old are considered delinquent and management begins collection efforts at this time. Delinquent receivables do not accrue interest. The Organization continually monitors the credit worthiness of each receivable and recognizes allowances for estimated bad debts on receivable balances that are no longer estimated to be collectible. The Organization adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. There was no allowance considered necessary at December 31, 2021 and 2020, respectively.

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

Grants and Contributions - Grants and contributions are recognized as revenue in the period unconditionally promised or received. The Organization reports contributions in the net assets with donor restrictions class if they are received with donor stipulations as to their use, or if the contribution contains an implied time restriction. They are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period. Conditional promises to give for restricted purposes are presented as contributions without donor restrictions upon meeting the conditions if the condition and restriction are met in the same reporting period. Conditional promises to give of \$16,708,383 are not included on the 2021 statement of activities, and will be recognized when such conditions are substantially met in future years. If contributions are received without donor stipulations or an implied time restriction, they are considered unrestricted funds and are included as part of the Organization's net assets without donor restrictions. Cash received before conditions of contributions are met are deferred and presented as refundable advances on the statements of financial position.

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

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

Contributed Goods and Services - The Organization operates the Farm to Family program as an intermediary agent for its food bank members, soliciting donations of produce for distribution to those food banks. Because the Organization acts as an intermediary agent on behalf of its member food banks, these donations are not recognized as contributions on the statements of activities. During the years ended December 31, 2021 and 2020, those donations totaled approximately 194 million and 166 million pounds with a fair value of approximately \$192 million and \$128 million, respectively. The fair value is based on an annual study by Feeding America that valued donated food at \$0.99 and \$0.77 per pound for the years ended December 31, 2021 and 2020, respectively.

Transportation costs - Costs to drop ship food to recipients are included in produce expense and transportation on the statements of activities and are billed to customers, or are reimbursed through grant revenues.

Income Taxes - The Organization is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. As such, the Organization qualifies for the maximum charitable contribution deduction by donors. In management's judgment there are no uncertain tax positions as of December 31, 2021.

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

Concentrations and Credit Risk - Financial instruments which potentially subject the Organization to credit risk consist principally of cash and equivalents, investments, and various accounts, grants and contributions receivable. The Organization's cash is maintained in demand deposits and in money funds in high quality financial institutions. Cash balances at December 31, 2021 exceeded federal insurance limits by approximately \$9,530,000. Investments are held at one brokerage firm. This firm is a member of the Securities Investor Protection Corporation ("SIPC") through which customer accounts are protected, in the event of the firm's insolvency, up to \$500,000. The Foundation's balances may exceed these limits. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statement of financial position. The Organization generally does not maintain collateral for its receivable balances, and does not believe significant credit risk exists at December 31, 2021. Three food banks represented 62% of total accounts receivable at December 31, 2021. One donor accounted for 57% of grants and contributions receivable at December 31, 2021.

Reclassifications - Certain 2020 balances have been reclassified to conform to the 2021 financial statement presentation.

Subsequent Events - Subsequent events have been evaluated through **September __, 2022**, which is the date the financial statements were available to be issued.

3. INVESTMENTS

Investments consisted of the following at December 31, 2021:

Exchange traded domestic equity funds	\$ 5,662,084
Bond mutual funds	1,241,696
Equity mutual funds	118,766
Total investments	<u>\$ 7,022,546</u>

The Organization had no investments at December 31, 2020.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 183,705	\$ 183,723
Less: Accumulated depreciation	<u>(178,787)</u>	<u>(174,923)</u>
Net property and equipment	<u>\$ 4,918</u>	<u>\$ 8,800</u>

5. MEMBERSHIP DEPOSITS

Membership deposits represented funds received from member food banks that participate in the Farm to Family program. Deposited funds were held by the Organization to serve as a bridge of working capital, addressing the timing difference between payment for the purchase of produce and the receipt of invoiced balances from members. In 2021 the Organization and members determined the deposit was no longer necessary due to available liquidity of the Organization, and the deposits were returned.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met by either actions of the Organization and/or the passage of time. At December 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Policy	\$ 546,015	\$ 314,548
Farm to Family and member services	172,601	1,750,201
Emergency response	144,948	982,800
CalFresh Outreach	6,715	7,034
Other program expenses	391,331	110,645
Time restriction	<u>905,000</u>	<u>1,305,072</u>
Total	<u>\$ 2,166,610</u>	<u>\$ 4,470,300</u>

7. LIQUIDITY AND AVAILABILITY

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

The Organization reviews various measures of liquidity and cash balances with the board of directors and finance committee each quarter. The Organization has designated \$300,000 to be set aside for unanticipated expenses.

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

Financial assets available for general expenditures within one year at December 31, 2021 consisted of the following:

Financial assets:

Cash and cash equivalents	\$ 9,693,544
Investments	7,022,546
Accounts and grants receivable	<u>8,760,250</u>
Total financial assets	<u>25,476,340</u>

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

Long-term grants and contributions receivable	(60,000)
Board designated reserve	<u>(300,000)</u>
Total amounts unavailable for general expenditures within one year	<u>(360,000)</u>

Total financial assets available for general expenditures within one year	<u><u>\$ 25,116,340</u></u>
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8. OPERATING LEASES

The Organization leases program facilities and administrative offices under various cancelable and non-cancelable operating leases that expire through 2025. The aggregate remaining minimum rental payments required under the terms of all non-cancelable operating leases as of December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 146,586
2023	150,978
2024	155,513
2025	<u>146,464</u>
Total	<u><u>\$ 599,541</u></u>

Rent and related overhead charges of \$172,578 and \$169,597 were recognized as expense during the years ended December 31, 2021 and 2020, respectively.

9. RETIREMENT PLAN

Pursuant to Section 403(b) of the Internal Revenue Code, the Organization contributes to a tax-sheltered annuity plan (the “Plan”) for qualifying employees. The Organization contributes a 5% match of employee contributions to the Plan each year. Employer contributions totaled \$157,892 and \$137,674 for the years ended December 31, 2021 and 2020, respectively.

CALIFORNIA ASSOCIATION OF FOOD BANKS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor Program Title/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - SNAP Cluster - passed through the California Department of Social Services	10.561	18-7013 21-7024	2,656,622	1,902,880
Emergency Food Assistance Program - Food Commodities - Food Distribution Cluster - passed through the California Department of Social Services	10.569	20-7014 A1	729,559	729,559
COVID - 19 Senior Farmers Market Nutrition Program passed through the California Department of Social Services	10.576	20-1048-001-SF	<u>815,946</u>	<u>815,946</u>
Total U.S. Department of Agriculture			<u>4,202,127</u>	<u>3,448,385</u>
U.S. Department of the Treasury:				
COVID -19 Coronavirus Relief Fund passed through the California Department of Social Services	21.019	19-3070	<u>27,156,445</u>	<u>22,545,419</u>
Total U.S. Department of the Treasury			<u>27,156,445</u>	<u>22,545,419</u>
Total expenditures of federal awards			<u>\$ 31,358,572</u>	<u>\$ 25,993,804</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

CALIFORNIA ASSOCIATION OF FOOD BANKS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2021

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes federal award activity of the Organization under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DRAFT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of California Association of Food Banks (a California nonprofit organization) (“the Organization”) which comprise the statement of financial position as of December 31, 2021, 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 **September __, 2022**.

Report on 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”) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope and our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Please do not
September 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited California Association of Food Banks' (the "Organization") compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Pleasanton, California
September , 2022

CALIFORNIA ASSOCIATION OF FOOD BANKS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

<u>CDEFA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.569	Offset Produce for USDA Farm to Food Bank Program
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$940,757

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

CALIFORNIA ASSOCIATION OF FOOD BANKS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

II. Financial Statement Findings

None.

III. Federal Awards Findings and Questioned Costs

None.

IV. Prior Year Findings

Not applicable.