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## Independent Auditor's Report

Board of Directors  
Redwood Empire Food Bank, Inc.

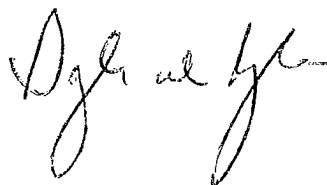
We have audited the accompanying statement of financial position of the Redwood Empire Food Bank, Inc., a nonprofit organization, as of June 30, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of the Food Bank. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Redwood Empire Food Bank, Inc., as of June 30, 2007 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2007, on our consideration of the Redwood Empire Food Bank, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Santa Rosa, CA  
November 20, 2007



REDWOOD EMPIRE FOOD BANK, INC.  
STATEMENT OF FINANCIAL POSITION

JUNE 30  
2006                      2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	791,241	1,050,779
Accounts receivable	177,499	171,857
Prepaid expenses	20,719	48,785
Food inventory	<u>809,529</u>	<u>951,159</u>

TOTAL CURRENT ASSETS	1,798,988	2,222,580
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PROPERTY & EQUIPMENT, NET	<u>1,454,050</u>	<u>1,408,598</u>
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TOTAL ASSETS	<u>3,253,038</u>	<u>3,631,178</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	42,616	70,657
Accrued expenses	<u>83,138</u>	<u>103,588</u>

TOTAL CURRENT LIABILITIES	<u>125,754</u>	<u>174,245</u>
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NET ASSETS

Temporarily restricted	183,842	293,717
Unrestricted	<u>2,943,442</u>	<u>3,163,216</u>

TOTAL NET ASSETS	<u>3,127,284</u>	<u>3,456,933</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>3,253,038</u>	<u>3,631,178</u>
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See accompanying notes to the financial statements

REDWOOD EMPIRE FOOD BANK, INC  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007  
(With Summarized Comparative Totals for 2006)

	2007			2006
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and Revenues:</b>				
Shared Maintenance	581,051		581,051	587,632
Grants		1,299,563	1,299,563	1,127,601
Donations	1,158,995		1,158,995	899,799
Fundraising events	53,453		53,453	22,222
Donated Food	11,742,779		11,742,779	9,341,016
Investment income	31,690		31,690	14,793
Other	16,451		16,451	137,951
<b>Total support and revenues</b>	<b>13,584,419</b>	<b>1,299,563</b>	<b>14,883,982</b>	<b>12,131,014</b>
<b>Expenses:</b>				
Programs	12,919,053	1,189,688	14,108,741	11,654,713
Fundraising programs	341,588		341,588	280,385
Management and administrative	104,004		104,004	87,072
<b>Total expenses</b>	<b>13,364,645</b>	<b>1,189,688</b>	<b>14,554,333</b>	<b>12,022,170</b>
<b>Excess &lt;Deficit&gt; of Support and Revenues over Expenses</b>	<b>219,774</b>	<b>109,875</b>	<b>329,649</b>	<b>108,844</b>
Net assets, July 1	2,943,442	183,842	3,127,284	3,018,440
Net assets, June 30	<u>3,163,216</u>	<u>293,717</u>	<u>3,456,933</u>	<u>3,127,284</u>

See accompanying notes to the financial statements

REDWOOD EMPIRE FOOD BANK, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2007  
(With Summarized Comparative Totals for 2006)

				<u>2007</u>	<u>2006</u>
	<u>PROGRAM</u>	<u>FUNDRAISING</u>	<u>SUPPORT</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>SERVICES</u>	<u>DEVELOPMENT</u>	<u>SERVICES</u>		
Food distributed	11,611,918			11,611,918	9,459,112
Payroll	824,843	94,729	66,613	986,185	919,430
Food purchased	651,882			651,882	514,486
Depreciation	121,136	9,998	7,030	138,164	132,984
Utilities	43,655	6,952	2,870	53,477	61,798
Payroll overhead	207,305	13,040	9,185	229,530	189,498
Other expenses	20,281	941	664	21,886	13,196
Food handling costs	333,287			333,287	302,969
Office expenses	13,417	1,158	814	15,389	12,721
Direct mailings	78,322	166,900		245,222	206,925
Insurance	57,087	4,218	2,966	64,271	70,341
Professional fees	47,712	41,348	13,405	102,465	46,019
Auto & truck	87,576			87,576	80,117
Fundraising events		1,654		1,654	5,707
Meetings & conferences	10,320	650	457	11,427	6,867
TOTAL	<u>14,108,741</u>	<u>341,588</u>	<u>104,004</u>	<u>14,554,333</u>	<u>12,022,170</u>

See accompanying notes to the financial statements

REDWOOD EMPIRE FOOD BANK, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2007  
(With Summarized Comparative Totals for 2006)

CASH FLOWS FROM OPERATING ACTIVITIES

	<u>2006</u>	<u>2007</u>
Increase in net assets for the year	108,844	329,649
Adjustments to reconcile to net cash Provided by (used for) operating activities:		
Depreciation and amortization	132,984	138,164
Decrease <increase> in receivables	-93,859	5,642
Decrease <increase> in inventories	138,291	-141,630
Decrease <increase> in prepaid expenses	-2,409	-28,066
Increase <decrease> in payables	<u>31,449</u>	<u>48,491</u>
Net cash provided by operating activities	315,300	352,250

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in fixed assets	<u>-99,612</u>	<u>-92,712</u>
 INCREASE IN CASH FOR THE YEAR	 215,688	 259,538
Cash, July 1	<u>575,553</u>	<u>791,241</u>
Cash, June 30	<u>791,241</u>	<u>1,050,779</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid during the year	0	
Income taxes paid	0	

See accompanying notes to the financial statements

REDWOOD EMPIRE FOOD BANK, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

**NOTE 1. Description of activities and Summary of Significant Accounting Policies:**

This description of activities and summary of significant accounting policies of the Redwood Empire Food Bank, Inc., a nonprofit organization, is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Food Bank's Board of Directors, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The Food Bank operates a food bank in Sonoma County. Donations of food are solicited, and augmented by purchases of food as needed. These items are then processed for distribution to member nonprofit organizations engaged in providing food to the needy of Sonoma County on a non-discriminatory basis. The member organizations help defray part of the operating costs by contributing a "shared maintenance" fee to the Food Bank. Accounts receivable consist in part of shared maintenance amounts due from member organizations.

In addition to operating its shared maintenance program, the Food Bank also conducts the Temporary Emergency Food Assistance Program, administered by the California State Department of Social Service for the U.S. Department of Agriculture. The USDA ships excess food commodities to the Food Bank, through the SDSS. The Food Bank then distributes the food at various locations throughout its service area. As a reimbursement for the costs involved in operating this program, the Food Bank receives quarterly payments. These amounts are determined by the USDA at the beginning of the year; requests for reimbursement of any excess of actual operating costs over the regular quarterly payments are submitted to the USDA at the end of the annual contract period (September 30). Payment is subject to availability of funds remaining in the USDA's budget at the end of the period.

**Basis of Presentation:** The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These principles require that the Food Bank reports information about its financial position and activities according to three categories:

**Unrestricted net assets:** representing the portion of expendable funds that are available for the support of the operations of the Food Bank and are not subject to donor imposed restrictions.

**Temporarily restricted net assets:** representing contributions for which there are donor imposed restrictions to be used for specific activities or for a specific period of time.

**Permanently restricted net assets:** representing contributions that are subject to permanent donor restrictions requiring principal to be invested and maintained and only income to be expended. The Food Bank has no permanently restricted net assets.

REDWOOD EMPIRE FOOD BANK, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

**NOTE 1. continued**

**Cash and cash equivalents:** The Food Bank considers liquid investments with an initial maturity of three months or less to be cash equivalents.

**Accounts receivable:** Accounts receivable represent funds due from affiliated agencies for shared maintenance and other receivables. As of June 30, 2007, the Food Bank estimates that no reserve for losses on accounts receivable is required.

**Revenue recognition:** Contributions are recognized when a donors gift is unconditional or when the requirements of a conditional gift are met. Funds from conditional gifts received prior to the conditions being met are classified as temporarily restricted until the restrictions are satisfied, at which time the funds are reclassified to unrestricted net assets.

**Functional allocation of expenses:** The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services based upon management estimates. Joint costs have been allocated to fundraising expenses.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the results of activities. Actual results could differ from those estimates.

**NOTE 2. Inventories:**

Inventory consists of food items, both donated and purchased. Purchased food products are recorded at cost, government commodities are carried in inventory at a cost figure provided by government agencies and the cost of donated foods are priced according to a composite per-pound rate determined by America's Second Harvest.

**NOTE 3. Donated materials and services:**

The market value of donated items is calculated as follows: The value of donated food items has been determined by multiplying the pounds of product received by \$1.69 per pound, which is a composite rate determined by America's Second Harvest, Inc. for this purpose. The value of donated equipment which is able to be reasonably determined is recorded as a contribution and the corresponding asset is depreciated when it is placed in service based upon its useful life. The value of volunteer services has not been recorded as a contribution or expense. Contributions of services are recognized when 1) the Food Bank has an objective, measurable means to determine fair value and 2) the services performed create or enhance non-financial assets, or the service requires a specialized skill which the Food Bank would otherwise need to purchase.

REDWOOD EMPIRE FOOD BANK, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2007

**NOTE 4. Income tax:**

The Food Bank is a nonprofit organization operating under section 501 (c) (3) on the Internal Revenue Code and is exempt from income taxes. Donations to the Food Bank qualify for income tax deduction on the income tax returns of the donors.

**NOTE 5. Depreciation and fixed assets:**

Depreciation is provided on the straight line method over the estimated useful lives of the respective assets. The Food Bank evaluates its long lived assets for indicators of impairment when events or changes in circumstances indicate that value is lost or non-recoverable. The Food Bank has not identified any impairment losses to date. Maintenance and repairs are charged to expense and major repairs and betterments are capitalized and depreciated. A summary of the changes in property accounts for the year is as follows:

<u>Equipment and Building</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
2006		
Beginning of year	2,244,060	756,637
Additions	99,612	132,984
2007		
Beginning of year	2,343,672	889,621
Additions	95,666	138,164
Retirements	-5,370	-2,415
End of year	2,433,968	1,025,370

**NOTE 6. Restricted funds:**

A restricted fund is maintained to account for those resources currently available for use, but expendable only according to requirements specified by the grantor. As the executive director maintains separate fund accounting for each of the grants subject to restriction it is not required that these funds be maintained in separate bank accounts.

The balance of such restricted funds as of the year end appears on the balance sheet as a deferred liability. Funds received through these grants are restricted both as to the time limits by which they must be used, and as to the types of expenses for which they can be spent. Restricted funds at June 30, 2006 and 2007 were restricted for use and are summarized as follows:

	2007	2006
Harvest Pantry	80,154	66,087
Community Foundation	-	13,238
Furth Foundation	144,122	26,909
SF Chronicle-Season of Sharing	36,324	40,428
Vitamin Case Settlement	23,491	14,450
Summer Lunch Program	7,200	8,184
Others	2,426	14,546
Total	\$ 293,717	\$183,842

REDWOOD EMPIRE FOOD BANK, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

**NOTE 7. Compensated absences:**

The Food Bank accrues a liability for vested vacation pay which is included in accrued expenses.

**NOTE 8. Pension plan:**

The Food Bank has a 403(b) retirement plan which is available to eligible employees having completed a month of service. The Food Bank matches employee contributions up to 3% of employee compensation. Contributions in the year ended June 30, 2007 were \$19,100.

**NOTE 9. Concentrations:**

Food Bank's cash on deposit with financial institutions is guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 for each institution. Cash equivalents on deposit with financial institutions in excess of federally insured limits as of June 30, 2007 and 2006, were approximately \$751,000 and \$491,000, respectively. The Food Bank has not experienced any losses in these funds during the years ended June 30, 2007 and 2006.