

**Redwood Empire Food Bank
(A Nonprofit Corporation)**

Financial Statements

Year Ended June 30, 2008

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Independent Auditors' Report

To the Board of Directors
Redwood Empire Food Bank
Santa Rosa, California

We have audited the accompanying statement of financial position of Redwood Empire Food Bank (a Nonprofit Corporation) (the "Food Bank") as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Food Bank's management. 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. 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 Redwood Empire Food Bank as of June 30, 2008, and the changes in its net assets and its 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 February 13, 2009, on our consideration of Redwood Empire Food Bank's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Redwood Empire Food Bank taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Petaluma, California
February 13, 2009

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Financial Position

June 30, 2008

Assets

Current assets

Cash and cash equivalents	\$ 961,971
Accounts receivable	217,320
Pledges receivable, current portion	617,365
Food inventory	1,049,758
Prepaid expenses	53,230

Total current assets 2,899,644

Property, equipment and improvements, net	1,367,847
Restricted cash for capital campaign	322,794
Pledges receivable	146,228

\$ 4,736,513

Liabilities and net assets

Current liabilities

Accounts payable	\$ 88,317
Accrued expenses	127,785
Deferred revenue	8,427

Total current liabilities 224,529

Net assets

Unrestricted	3,282,343
Temporarily restricted	1,229,641

Total net assets 4,511,984

\$ 4,736,513

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Shared maintenance	\$ 1,348,465	\$ -	\$ 1,348,465
Grants	560,534	-	560,534
Donations	964,538	1,220,567	2,185,105
Fundraising events	78,686	-	78,686
Donated food	13,626,196	-	13,626,196
Investment income	29,811	-	29,811
Other income	38,471	-	38,471
Total support and revenue	16,646,701	1,220,567	17,867,268
Net assets released from restrictions	284,643	(284,643)	-
Total support, revenue and net assets released from restrictions	16,931,344	935,924	17,867,268
Expenses			
Program services	16,285,838	-	16,285,838
Fundraising	418,729	-	418,729
Management and general	157,702	-	157,702
Total expenses	16,862,269	-	16,862,269
Increase in net assets	69,075	935,924	1,004,999
Net assets, beginning of year, as previously reported	3,163,216	293,717	3,456,933
Correction of prior period depreciation	50,052	-	50,052
Net assets, beginning of year, as restated	3,213,268	293,717	3,506,985
Net assets, end of year	\$ 3,282,343	\$ 1,229,641	\$ 4,511,984

See accompanying Notes to Financial Statements

**Redwood Empire Food Bank
(A Nonprofit Corporation)**

Statement of Functional Expenses

Year Ended June 30, 2008

	Program Services	Fund- raising	Management & General	Total Expenses
Food distributed	\$ 13,344,026	\$ -	\$ -	\$ 13,344,026
Salaries and wages	922,019	116,106	108,239	1,146,364
Food purchased	873,269	-	-	873,269
Food handling costs	438,047	-	-	438,047
Employee benefits and payroll taxes	200,252	21,829	20,351	242,432
Public relations and marketing	57,942	161,766	-	219,708
Professional fees	52,370	91,874	5,322	149,566
Depreciation	113,675	8,791	8,195	130,661
Auto and truck expenses	94,042	-	-	94,042
Office expenses	70,799	6,847	6,383	84,029
Insurance	47,075	4,297	4,007	55,379
Occupancy expenses	41,560	3,214	2,995	47,769
Other expenses	21,171	1,326	1,236	23,733
Meetings and conferences	9,591	1,046	974	11,611
Fundraising events	-	1,633	-	1,633
	\$ 16,285,838	\$ 418,729	\$ 157,702	\$ 16,862,269

See accompanying Notes to Financial Statements

Redwood Empire Food Bank
(A Nonprofit Corporation)

Statement of Cash Flows

Year Ended June 30, 2008

Cash flows from operating activities	
Increase in net assets	\$ 1,004,999
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	130,661
Cash contributions restricted for capital campaign	(322,794)
Changes in assets and liabilities affecting operating activities	
Increase in assets:	
Accounts receivable	(45,463)
Pledges receivable	(763,593)
Food inventory	(98,599)
Prepaid expenses	(4,445)
Increase in liabilities:	
Accounts payable	17,660
Accrued expenses	24,197
Deferred revenue	8,427
Net cash used by operating activities	(48,950)
Cash flows from investing activities	
Purchases of property and equipment	(39,858)
Investment in restricted cash	(322,794)
Net cash used by investing activities	(362,652)
Cash flows from financing activities	
Contributions restricted for capital campaign	322,794
Net decrease in cash and cash equivalents	(88,808)
Cash and cash equivalents, beginning of year	1,050,779
Cash and cash equivalents, end of year	\$ 961,971

See accompanying Notes to Financial Statements

Note A. Summary of Activities and Significant Accounting Policies

Redwood Empire Food Bank (the “Food Bank”) is a California nonprofit public benefit corporation whose mission is to end hunger in the community. Founded in 1987, the Food Bank has become Sonoma County’s largest hunger-relief organization. The Food Bank solicits donations from a wide variety of sources, including manufacturers, wholesalers, grocers, growers, governments, individuals and other nonprofit organizations. The Food Bank acquires food and distributes it through a network of charitable agencies and the Food Bank’s own food assistance programs. The Food Bank also provides food to member nonprofit organizations engaged in providing food to the needy of Lake, Mendocino, Humboldt, and Del Norte Counties. The member organizations help defray part of the operating costs by contributing a “shared maintenance” fee to the Food Bank.

In addition to operating its shared maintenance program, the Food Bank also obtains government assistance in the form of food commodities and reimbursements for distribution costs associated with the delivery of the food commodities. Revenue from government agency contracts is recognized when the related service has been provided.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to make a gift to the Food Bank that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted net assets represent assets that must be permanently maintained in accordance with the stated wishes of the donor. The Food Bank does not currently have any permanently restricted net assets.

Contributed services are recognized when the Food Bank would typically purchase such services if they require specialized skills and the contributor possesses such skills. Contributions recognized under these circumstances for 2008 amounted to \$28,000. Many individuals volunteer their time and perform a variety of tasks that assist the Food Bank in the performance of its mission; however, these services do not meet the criteria for recognition as contributed services. The Food Bank received over 70,000 volunteer hours during the fiscal year.

Cash and cash equivalents

Cash and cash equivalents include cash in banks, money market accounts and investments with original maturity dates of 90 days or less.

Accounts receivable

Accounts receivable represent funds due from affiliated agencies for shared maintenance costs and from governments for contracted food distribution services. As of June 30, 2008, management estimates that no reserve for losses on accounts receivable is necessary. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on past due accounts receivable balances.

Note A. Summary of Activities and Significant Accounting Policies (continued)

Pledges receivable

Pledges receivable consists of unconditional promises to give. The Food Bank uses the allowance method to determine uncollectible pledges receivable.

Food inventory

Food inventory consists of food items, both donated and purchased. Purchased food products are stated at the lower of cost (first-in, first-out method) or market, government commodities are carried in inventory at a cost figure provided by government agencies and the value of donated food is determined according to a composite per-pound rate determined by a cost study performed by Feeding America (formerly, America's Second Harvest). Donated food was valued at \$1.49 per pound for the year.

Property, equipment and improvements

Property, equipment and improvements are stated at cost less accumulated depreciation and amortization. Equipment depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 20 years. Buildings and related improvements are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years. Motor vehicle depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 10 years. Donated property is recorded at its estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Long-lived assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless otherwise stated by the donor, the restriction expires when the asset is purchased.

The Food Bank reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the recorded amount of the asset to the estimated undiscounted future net cash flows expected to be generated by the asset. During 2008, there were no impairments identified.

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.

Use of estimates

The preparation of financial statements requires management to make estimates based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenue and expenses. Due to their prospective nature, actual results could differ from those estimates.

Note A. Summary of Activities and Significant Accounting Policies (continued)

Income taxes

As a nonprofit corporation, the Food Bank is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. These exemptions are subject to periodic review by the taxing authorities. Accordingly, a provision for federal or state income taxes is not recorded.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for 2008 totaled \$18,350.

Note B. Pledges Receivable

Restricted for capital campaign	\$ 781,934
Restricted for future periods	15,000
	<hr/> 796,934
Less: unamortized discount	(8,341)
allowance for uncollectible pledges	(25,000)
	<hr/> Pledges receivable, net
	\$ 763,593
<hr/>	
Amounts due in:	
Less than one year	\$ 642,365
One to five years	154,569
	<hr/>
	\$ 796,934

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.96%.

Note C. Food Inventory

Donated food	\$ 743,123
Government commodities	206,049
Purchased food	100,586
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	\$ 1,049,758

Year Ended June 30, 2008

Note D. Property, Equipment and Improvements

Land	\$ 175,000
Buildings and improvements	1,139,314
Equipment and fixtures	614,505
Motor vehicles	545,006
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	2,473,825
Accumulated depreciation	(1,105,978)
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	\$ 1,367,847

Note E. Commitments Under Operating Leases

The Food Bank rents office and warehouse space under a noncancelable operating lease which expires in October 2009. The lease requires minimum monthly payments in the amount of \$2,525 and the Food Bank's share of common area operating expenses. The Food Bank also rents certain equipment under non-cancelable operating leases expiring through 2012. The following is a schedule of minimum future rental payments required under noncancelable operating leases as of June 30, 2008.

Year ending June 30,	
2009	\$ 31,190
2010	15,358
2011	5,196
2012	2,736
<hr/>	
	\$ 54,480

Rent expense amounted to \$43,530 for 2008.

Note F. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Funding for capital campaign	\$ 1,096,387
Funding for specific programs	133,254
<hr/>	
	\$ 1,229,641

Note G. Concentrations

At various times during the year ended June 30, 2008, the Food Bank had on deposit with its financial institutions amounts in excess of the \$100,000 federally insured deposit limit. At June 30, 2008, the Food Bank had approximately \$1,132,000 on deposit in excess of the federally insured amount.

Note H. Retirement Plan

The Food Bank has a savings incentive match retirement plan which is available to eligible employees having completed one month of service. The Food Bank makes matching contributions up to 3% of employee compensation. Contributions for 2008 were \$23,465.

Note I. Correction of Prior Period Depreciation

The Food Bank's financial statements as of June 30, 2007, contained an error in that land was incorrectly treated as a depreciable asset. Unrestricted net assets and accumulated depreciation as of July 1, 2007, have been increased/decreased, respectively, by \$50,052 to correct the aggregate effect of incorrectly recording depreciation expense in prior years.

Compliance



**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
Redwood Empire Food Bank
Santa Rosa, California

We have audited the financial statements of Redwood Empire Food Bank (a Nonprofit Corporation) (the "Food Bank") as of and for the year ended June 30, 2008, and have issued our report thereon dated February 13, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Food Bank's internal control over financial reporting as a basis for designing our auditing procedures 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 Food Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule as items 2008-1 and 2008-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

**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* (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Food Bank'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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

We noted certain matters that we reported to management of the Food Bank in a separate letter dated February 13, 2009.

The Food Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Food Bank's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "DOELS SOPER LLP". The signature is written in a cursive, stylized font.

Petaluma, California
February 13, 2009



**Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance in Accordance
with OMB Circular A-133**

To the Board of Directors
Redwood Empire Food Bank
Santa Rosa, California

Compliance

We have audited the compliance of Redwood Empire Food Bank with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Food Bank's management. Our responsibility is to express an opinion on the Food Bank's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Food Bank'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. Our audit does not provide a legal determination of the Food Bank's compliance with those requirements.

In our opinion, the Food Bank complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-3, 2008-4, and 2008-5.

Internal Control Over Compliance

The management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Food Bank's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Food Bank's internal control over compliance.

**Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance in Accordance
with OMB Circular A-133 (continued)**

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-3, 2008-4, and 2008-5 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Food Bank's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Food Bank's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Petaluma, California
February 13, 2009

Redwood Empire Food Bank

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Federal Expenditures
United States Department of Agriculture		
Food and Nutrition Service		
Pass-through from California Department of Education		
Commodity Supplemental Food Program – Administration	10.565	\$ 170,110
Commodity Supplemental Food Program – Food Commodities	10.565	717,334
Summer Food Service Program – Summer Lunch	10.559	157,987
Summer Food Service Program – Snacks for Kids	10.559	145,113
Pass-through from California Department of Social Services		
Emergency Food Assistance Program – Administration	10.568	56,429
Emergency Food Assistance Program – Food Commodities	10.569	193,520
Pass-through from California Association of Food Banks		
State Administrative Funding for the Food Stamp Program	10.561	29,688
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Total U.S. Department of Agriculture		1,470,181
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United States Department of Homeland Security		
Pass-through from United Way		
Emergency Food and Shelter National Board Program	97.024	15,500
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Total expenditures of federal awards		\$ 1,485,681

See accompanying Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Redwood Empire Food Bank and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

Total expenditures of federal awards	\$ 1,485,681
Non federal expenditures	14,800,157
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Total expenses per Statement of Activities	\$ 16,285,838

Note 2. Food Distribution

The amount reported for "Food Commodities" programs represents the dollar value of U.S. Department of Agriculture (USDA) food commodities distributed during the year. The USDA and other distributors provide the current value of the commodities to compute the amounts reported. At June 30, 2008, the Food Bank had USDA food commodities totaling \$206,049.

Note 3. State and Local Grants

The Food Bank receives funding from the State of California and local governments. The funding received during 2008 included the following program expenditures/awards:

California Department of Aging, Area Agency on Aging	
Pass-through from County of Sonoma – Agreement No. 27-0815	\$ 23,557
Pass-through from County of Sonoma	
Human Services Commission – Agreement No. 200708CS220	46,750
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Total	\$ 70,307

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unqualified*

Internal control over financial reporting:

Material weaknesses identified _____ yes X no

Significant deficiencies identified not considered
to be material weaknesses X yes _____ no

Noncompliance material to financial statements noted X yes _____ no

Federal Awards

Internal Control over major programs:

Material weaknesses identified _____ yes X no

Reportable conditions identified not considered
to be material weaknesses X yes _____ no

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

Any audit findings disclosed that are required to be reported in
accordance with Circular A-133, Section .510(a) X yes _____ no

Identification of major programs:

CFDA Numbers

Name of Federal Program or cluster

10.565	Commodity Supplemental Food Program
10.559	Summer Food Service Program
10.568, 10.569	Emergency Food Assistance Program

Dollar threshold used to distinguish between
Type A and Type B programs \$300,000

Auditee qualifies as low-risk auditee: X yes _____ no

Section II. Financial Statement Findings*Conditions deemed to not be material weaknesses*

The following observations were made in the current year:

Finding Number 2008-1 – Cash Receipts*Observation*

We noted that there was a lack of segregation of duties within the cash receipts area. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely related functions in the cash receipts system of the Food Bank will result in much greater internal control in this particular area. Even though the administrative staff opens the mail and prepares a receipt for any cash received, no reconciliation of missing receipt numbers or a control log is prepared. In addition, one individual is responsible for preparing, making and posting the deposits.

Recommendation

We recommend that procedures be established for an individual outside of the recording function to reconcile the receipt book and daily deposits. This procedure will improve controls over the cash receipt function.

Food Bank's response

We have subsequently modified our internal control procedures to have the administrative staff and the accounting staff reconcile the cash receipts log and the applicable deposit detail. In addition, we are currently analyzing our cash receipt procedures to determine if additional improvements can be made.

Finding Number 2008-2 – Inventory*Observation*

During our observation of year-end inventory counts and adjustments, we identified a few items which were counted properly, but the totals were incorrectly summed on the final listing. The errors were a result of simple clerical problems as the totals were summed by hand.

Recommendation

To help prepare a complete and accurate inventory count, we recommend the final count sheets be used to prepare a spreadsheet which totals all of the items and locations. This spreadsheet should then be reviewed by an individual other than the preparer prior to inputting any adjustments into the accounting records.

Food Bank's response

We concur with the finding and recommendation.

Section III. Findings and Questioned Costs for Federal Awards

The following observations were made in the current year:

Finding Number 2008-3 – Direct Cost Allocations

United States Department of Agriculture

Commodity Supplemental Food Program – CFDA 10.565

Summer Food Service Program – CFDA 10.559

Emergency Food Assistance Program – CFDA 10.568

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations* and USDA departmental regulations establish the principles for determining whether specific costs are allowable for a particular program. Administrative funds may be used for costs that are necessary to ensure the efficient and effective administration of the program. The Food Bank is required to maintain complete and accurate records related to the direct and allocated costs of each individual program.

Condition Found

In one of ten items tested, we identified direct costs of a program that were incorrectly included in the allocation of administrative costs. Although the dollar amount of the expense was less than \$500, internal control procedures could be improved to ensure that direct costs are appropriately tracked and charged to the applicable program.

Questioned Costs

Undetermined

Recommendation

The Food Bank should establish policies and procedures to ensure that all direct costs of a program are appropriately identified and charged directly to the applicable program.

Food Bank's response

We agree with this recommendation and will be instituting new policies and procedures to help ensure that all direct costs of a program are recorded as such in the accounting records.

Section III. Findings and Questioned Costs for Federal Awards (continued)**Finding Number 2008-4 – Inventory Valuation****United States Department of Agriculture
Commodity Supplemental Food Program – CFDA 10.565
Emergency Food Assistance Program – CFDA 10.569***Criteria*

Federal regulations require that USDA food commodities be recorded at the actual cost-per-pound data used to charge a State's commodity entitlement; the estimated cost-per-pound data provided by the USDA; or the USDA commodity file cost as of a specified date. The Food Bank is required to maintain records of the pounds as well as the value of the food commodities it receives and distributes.

Condition Found

Upon review of the USDA commodity valuation for the year, we determined that the Food Bank was using an average per pound value for the inventory activity rather than the actual individual item values for the year. The valuation of inventory at the beginning and end of the year was correctly calculated at the individual item values.

Questioned Costs

None

Recommendation

Although the Food Bank appropriately records the individual pounds/items received and distributed during the year, the Food Bank should establish policies and procedures to ensure that all receipts and distributions of USDA food commodities are recorded at the appropriate values on a monthly basis.

Food Bank's response

We agree with this recommendation and will be instituting new policies and procedures to help ensure that all USDA food commodities are recorded at the appropriate dollar values in the accounting records.

Section III. Findings and Questioned Costs for Federal Awards (continued)

Finding Number 2008-5 – Eligibility

United States Department of Agriculture

Emergency Food Assistance Program – CFDA 10.568 and 10.569

Criteria

Federal regulations and the State agency establish income and other eligibility criteria of which the Food Bank is responsible for following when distributing USDA food commodities.

Condition Found

In five of six distribution sites tested, the participant sign-in sheets included incomplete entries. The question regarding whether or not some of the participants had received food commodities during the month was either not answered or was answered “yes”. In addition, for those entries where the answer was “yes”, information was not available to determine if the participant had been denied the food commodities for the applicable distribution day.

Questioned Costs

Undetermined

Recommendation

The Food Bank should establish policies and procedures to ensure that the volunteers working at the distribution sites are appropriately trained in the use of the eligibility forms and are apprised of the applicable eligibility requirements.

Food Bank's response

We agree with this recommendation and will be instituting new policies and procedures to help ensure that all USDA food commodities are distributed only to eligible recipients and that the documentation supports the eligibility requirements.

Section IV. Status of Prior Year Findings

There were no prior year audit findings.