

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

**Financial Statements**

**Year Ended June 30, 2009**

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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, 2009, 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, 2009, 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 December 7, 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.

*BEELS SOPER LLP*

Petaluma, California  
December 7, 2009

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

**Statement of Financial Position**

**June 30, 2009**

**Assets**

Current assets

Cash and cash equivalents	\$ 1,091,115
Accounts receivable	234,985
Pledges receivable, current portion	652,955
Food inventory	686,757
Prepaid expenses	60,686

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Total current assets	2,726,498
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Property, equipment and improvements, net	1,286,653
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Restricted cash for capital campaign	524,686
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Pledges receivable	58,568
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\$ 4,596,405

**Liabilities and net assets**

Current liabilities

Accounts payable	\$ 135,681
Accrued expenses	77,211
Deferred revenue	39,427

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Total current liabilities	252,319
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Net assets

Unrestricted	3,065,314
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Temporarily restricted	1,278,772
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Total net assets	4,344,086
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\$ 4,596,405

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

**Statement of Activities and Changes in Net Assets**

**Year Ended June 30, 2009**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenue</b>			
Shared maintenance	\$ 1,526,224	\$ -	\$ 1,526,224
Grants	642,056	-	642,056
Donations	1,361,035	178,188	1,539,223
Fundraising events	116,559	-	116,559
Donated food	16,305,951	-	16,305,951
Investment income	7,485	4,197	11,682
Other income	20,400	-	20,400
<b>Total support and revenue</b>	<b>19,979,710</b>	<b>182,385</b>	<b>20,162,095</b>
Net assets released from restrictions	133,254	(133,254)	-
<b>Total support, revenue and net assets released from restrictions</b>	<b>20,112,964</b>	<b>49,131</b>	<b>20,162,095</b>
<b>Expenses</b>			
Program services	19,620,323	-	19,620,323
Fundraising	471,631	-	471,631
Management and general	238,039	-	238,039
<b>Total expenses</b>	<b>20,329,993</b>	<b>-</b>	<b>20,329,993</b>
<b>Increase (decrease) in net assets</b>	<b>(217,029)</b>	<b>49,131</b>	<b>(167,898)</b>
<b>Net assets, beginning of year</b>	<b>3,282,343</b>	<b>1,229,641</b>	<b>4,511,984</b>
<b>Net assets, end of year</b>	<b>\$ 3,065,314</b>	<b>\$ 1,278,772</b>	<b>\$ 4,344,086</b>

See accompanying Notes to Financial Statements

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

**Statement of Functional Expenses**

**Year Ended June 30, 2009**

	Program Services	Fund- raising	Management & General	Total Expenses
Food distributed	\$ 16,338,148	\$ -	\$ -	\$ 16,338,148
Salaries and wages	920,023	196,800	159,971	1,276,794
Food purchased	1,026,001	-	-	1,026,001
Food handling costs	598,239	-	-	598,239
Employee benefits and payroll taxes	191,092	33,995	27,633	252,720
Public relations and marketing	55,657	150,374	12,661	218,692
Professional fees	76,685	52,573	11,089	140,347
Depreciation	111,200	9,166	7,450	127,816
Auto and truck expenses	95,966	-	-	95,966
Office expenses	70,723	9,750	7,925	88,398
Occupancy expenses	72,131	5,945	4,833	82,909
Insurance	40,403	4,913	3,994	49,310
Other expenses	17,268	1,843	1,501	20,612
Meetings and conferences	6,787	1,207	982	8,976
Fundraising events	-	5,065	-	5,065
	<b>\$ 19,620,323</b>	<b>\$ 471,631</b>	<b>\$ 238,039</b>	<b>\$ 20,329,993</b>

See accompanying Notes to Financial Statements

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

**Statement of Cash Flows**

**Year Ended June 30, 2009**

**Cash flows from operating activities**

Decrease in net assets	\$ (167,898)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	127,816
Contributions and pledges restricted for capital campaign	(149,841)
Changes in assets and liabilities affecting operating activities:	
Decrease (increase) in assets:	
Accounts receivable	(17,665)
Food inventory	363,001
Prepaid expenses	(7,456)
Increase (decrease) in liabilities:	
Accounts payable	47,364
Accrued expenses	(50,574)
Deferred revenue	31,000

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Net cash provided by operating activities	175,747
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**Cash flows from investing activities**

Purchases of property and equipment	(46,622)
Investment in restricted cash	(201,873)

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Net cash used by investing activities	(248,495)
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**Cash flows from financing activities**

Contributions restricted for capital campaign	201,892
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Net increase in cash and cash equivalents	129,144
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Cash and cash equivalents, beginning of year	961,971
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Cash and cash equivalents, end of year	\$ 1,091,115
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**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 2009 amounted to \$61,038. 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.

*Pledges receivable*

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

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

*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, 2009, 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.

*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 \$1.58 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 2009, 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.

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

*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.

*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 2009 totaled \$15,684.

**Note B. Pledges Receivable**

Restricted for capital campaign	\$ 743,696
Less: unamortized discount	(7,173)
allowance for uncollectible pledges	(25,000)
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Pledges receivable, net	\$ 711,523
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Amounts due in:	
Less than one year	\$ 652,955
One to five years	58,568
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	\$ 711,523
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Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.0%.

**Note C. Food Inventory**

Donated food	\$ 354,842
Government commodities	223,486
Purchased food	108,429
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	\$ 686,757
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**Note D. Property, Equipment and Improvements**

Land	\$ 175,000
Buildings and improvements	1,139,314
Equipment and fixtures	661,128
Motor vehicles	545,006
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	2,520,448
Accumulated depreciation	(1,233,795)
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	\$ 1,286,653

**Note E. Commitments Under Operating Leases**

The Food Bank rents office and warehouse space under a noncancelable operating lease which expires in October 2010. The lease requires minimum monthly payments in the amount of \$2,632 plus the Food Bank's share of common area operating expenses. The Food Bank also rents certain equipment under non-cancelable operating leases which require monthly payments of approximately \$433 and expire through 2012. The following is a schedule of minimum future rental payments required under noncancelable operating leases as of June 30, 2009.

Year ending June 30,	
2010	\$ 36,355
2011	15,727
2012	3,883
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	\$ 55,965

Rent expense amounted to \$72,787 for 2009.

**Note F. Temporarily Restricted Net Assets**

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

Funding for capital campaign	\$ 1,246,228
Funding for specific programs	32,544
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	\$ 1,278,772

**Note G. 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 2009 were \$24,750.

**Note H. Subsequent Events**

The Food Bank has evaluated all events subsequent to the balance sheet date of June 30, 2009, through the date of issuance of these financial statements, December 7, 2009, and has determined that there are no subsequent events that require disclosure.