

**YOLO FOOD BANK**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

YOLO FOOD BANK

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6 - 7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8 - 17
SUPPLEMENTARY INFORMATION	
Schedule I – Consolidating Statements of Financial Position	18
Schedule II – Consolidating Statements of Activities	19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
OTHER REPORTS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 - 23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	24 - 25
FINDINGS AND QUESTIONED COSTS	
Schedule of Findings and Questioned Costs	26 - 31
Summary Schedule of Prior Audit Findings	32
CORRECTIVE ACTION PLAN	33 - 34

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Yolo Food Bank  
Woodland, California

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Yolo Food Bank (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yolo Food Bank as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 18 - 19 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and the related notes to the 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*, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 May 28, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Yolo Food Bank's internal control over financial reporting and compliance.

*Brogg Christensen Caniglia LLP*

May 28, 2020  
Roseville, California

YOLO FOOD BANK

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,732,238
Investments in equity securities	26,679
Grants and accounts receivable, net	345,782
Pledges receivable, net	303,050
Inventory	843,387
Other assets	<u>833</u>
 Total current assets	 <u>3,251,969</u>
 Pledges receivable, net of current portion and allowance	 661,428
Reserves	447,062
Property and equipment, net	<u>6,810,107</u>
 Total assets	 <u>\$ 11,170,566</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 341,875
Accrued payroll and benefits	113,315
Deferred revenue	72,510
Current portion of long-term debt	<u>12,042</u>
 Total current liabilities	 539,742
 Long-term debt, net of current portion	 <u>2,967,579</u>
 Total liabilities	 <u>3,507,321</u>
Net assets:	
Without donor restrictions	6,409,428
With donor restrictions	<u>1,253,817</u>
 Total net assets	 <u>7,663,245</u>
 Total liabilities and net assets	 <u>\$ 11,170,566</u>

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

YOLO FOOD BANK

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants and awards	\$ 538,981	\$ -	\$ 538,981
Capital campaign	1,621,510	1,053,817	2,675,327
Contributions	1,260,207	-	1,260,207
In-kind food donations	5,398,335	-	5,398,335
Fundraising	317,679	-	317,679
Food sales programs	102,875	-	102,875
Investment income, net	2,588	-	2,588
Loss on disposal of fixed assets	(75,617)	-	(75,617)
Assets released from with donor restrictions	2,418,433	(2,418,433)	-
<b>Total support and revenue</b>	<b>11,584,991</b>	<b>(1,364,616)</b>	<b>10,220,375</b>
Expenses:			
Program services	7,847,190	-	7,847,190
Support services:			
Management and general	791,640	-	791,640
Fundraising	173,387	-	173,387
<b>Total expenses</b>	<b>8,812,217</b>	<b>-</b>	<b>8,812,217</b>
Change in net assets	2,772,774	(1,364,616)	1,408,158
Net assets, beginning of year, as restated	3,636,654	2,618,433	6,255,087
Net assets, end of year	<u>\$ 6,409,428</u>	<u>\$ 1,253,817</u>	<u>\$ 7,663,245</u>

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

YOLO FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,119,796	\$ 124,422	\$ -	\$ 1,244,218
Payroll taxes	95,148	10,572	-	105,720
Employee benefits	25,080	2,787	-	27,867
Workers compensation insurance	30,370	3,375	-	33,745
Food donations	5,699,080	-	-	5,699,080
Program food purchases	163,653	-	-	163,653
Marketing	16,612	-	119,041	135,653
Bad debt expense	-	38,190	-	38,190
Occupancy	65,126	7,236	-	72,362
Contract labor	125,032	-	-	125,032
Mortgage interest and bank fees	-	60,767	-	60,767
Fuel	46,843	-	-	46,843
Utilities	43,821	4,869	-	48,690
Supplies and equipment	35,635	3,959	-	39,594
Printing and special events	7,659	851	-	8,510
Insurance	29,308	3,257	-	32,565
Maintenance and repairs	18,967	2,107	-	21,074
Depreciation	175,511	19,501	-	195,012
Capital campaign expense	-	-	54,346	54,346
License and permits	4,000	-	-	4,000
Dues and subscriptions	16,868	1,874	-	18,742
Professional services	96,267	479,042	-	575,309
Telephone	14,703	1,634	-	16,337
Miscellaneous expense	-	25,229	-	25,229
Staff development	17,711	1,968	-	19,679
	<u>\$ 7,847,190</u>	<u>\$ 791,640</u>	<u>\$ 173,387</u>	<u>\$ 8,812,217</u>

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

YOLO FOOD BANK

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from grants, contributions and other support	\$ 2,161,281
Cash paid to vendors and employees	(2,769,719)
Interest and investment income	2,588
Interest paid	<u>(57,036)</u>
Net cash used in operating activities	<u>(662,886)</u>
Cash flows from investing activities:	
Purchase of fixed assets	(4,095,065)
Proceeds from investments	11,118
Deposits to reserves	<u>(447,062)</u>
Net cash used in investing activities	<u>(4,531,009)</u>
Cash flows from financing activities:	
Contributions received restricted for capital campaign	1,976,614
Proceeds from long-term debt	3,339,621
Principal payments on long-term debt	<u>(1,389,617)</u>
Net cash provided by financing activities	<u>3,926,618</u>
Change in cash and cash equivalents	(1,267,277)
Cash and cash equivalents, beginning of year	<u>2,999,515</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,732,238</u></u>
Supplementary disclosure of non-cash financing activities:	
Change in pledges receivable - restricted for capital campaign	<u><u>\$ 698,713</u></u>

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



YOLO FOOD BANK

STATEMENT OF CASH FLOWS (CONTINUED)  
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 1,408,158
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	195,012
Loss on disposal of fixed assets	75,617
Net realized and unrealized (gains) losses on investments	(1,052)
Contributions received restricted for capital campaign	(2,675,327)
Donated investments	(36,745)
Change in operating assets and liabilities:	
Inventory	233,293
Grants and accounts receivable, net	44,506
Accounts payable	65,950
Accrued payroll and benefits	17,255
Deferred revenue	10,447
	<hr/>
Net cash used in operating activities	<u><u>\$ (662,886)</u></u>

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

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1: ORGANIZATION

Yolo Food Bank, a nonprofit organization (the "Organization"), was established in 1970. The Organization collects, stores and distributes food and other products to charities serving the needy in Yolo County. The Food Bank is supported primarily through donor contributions and grants. It also receives funding from government grants and the USDA commodities program.

As of June 30, 2019, all assets and liabilities of YFB Foundation (the "Foundation") were consolidated into Yolo Food Bank's consolidated financial statements because they met the criteria for consolidation under Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 810, Not-for-Profit Entities – Consolidation (FASB ASC 958-810). FASB ASC 958-810 requires consolidation if the nonprofit organizations are related to one another by means of ownership, control and/or economic interest. Yolo Food Bank exercises control by having the ability to appoint the Board of Directors of the Foundation and an economic interest in the Foundation. The purpose of the Foundation is to perform the charitable functions of and carry out the charitable purposes of Yolo Food Bank. The Foundation is a supporting organization controlled by Yolo Food Bank, as specified in Section 509(a)(3) of the Internal Revenue Code.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14 Not-for-Profit Entities Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update are designed to improve the presentation of net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The Organization has adopted the provision as of June 30, 2019.

The Organization presents its financial statements in accordance with FASB ASC Topic 958, Subtopic 210 (FASB ASC 958-210), Presentation of Financial Statements of Not-for-Profit Entities. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Revenues and gains and losses on investments are reported as changes in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on contributions whose restrictions are met in the same reporting period have been reported as without donor restrictions.

Donor-restricted contributions are reported as revenues which increase net assets with donor restrictions. Expirations of donor restrictions on contributions whose restrictions are met in the same reporting period have been reported as contributions without donor restrictions.

Periodically donor restrictions related to new assets may be clarified or changed, such changes are reflected as transfers at the time they are identified.

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions, including pledges, are recognized as revenues in the period the contribution or pledge is received. Pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Pledges receivable have been discounted using rates that approximate the risk associated with the ultimate collection of the receivable. The discount is amortized using an effective yield over the expected collection period of the receivable. Collection history is reviewed each year to determine the need for an allowance for uncollectible pledges.

Special event and program revenues are recognized during the fiscal year in which the events and programs occur. Contributions received are recorded as revenues with or without donor restrictions depending on the existence and/or nature of any donor stipulations as to the use of the assets. Donor restricted revenues are then reclassified to net assets without donor restrictions upon satisfaction of those restrictions. Revenues from grant contracts are deferred until satisfaction of performance obligations or upon completion of conditions specified by the funding source.

Revenue from government contracts is recognized to the extent of expenses incurred up to the contract budget limit. Revenue from fee for service contracts is recognized when the service is provided.

Cash and Cash Equivalents

The Organization considers all cash on hand and highly liquid temporary cash investments with original maturities of three months or fewer to be cash equivalents for the purposes of the statement of financial position and statement of cash flows and represent fair value. The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. As of June 30, 2019, the Organization's cash balances exceeded federally insured limits by approximately \$1.9 million. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Investments are stated at fair value. Unrealized and realized gains and losses are included in investment income on the statement of activities. Investment income is reported net of related investment expenses.

Donated Services

A substantial number of volunteers have donated significant hours to the Organization's programs and fund-raising campaigns during the year, however, these services are not reflected in the financial statements since the services do not require specialized skills.

Donated Food and Grocery Products

The Organization reports gifts of donated food and grocery products over which it has control as public support without donor restrictions and as an expense when distributed to local food closets, rescue organizations and kitchens. During the year ended June 30, 2019, the Organization received 3,332,305 pounds of donated products from national and local donors, valued at a composite price of \$1.62 per pound and reflected in the accompany consolidated statement of activities at \$5,398,335. The composite price is the estimated weighted average wholesale amount per pound as provided by Feeding America.

Inventory

Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) basis.

The Organization has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 330 (FASB ASC 330) as revised by Accounting Standards Update 2015-11 (ASU 2015-11) to measure inventory at the lower of cost or net realizable value. Prior to adoption of ASU 2015-11, the Organization measured inventory at lower of cost or market value.

Accrued Vacations

The Organization records a liability for the cost of unused employee benefits in the event of employee terminations. The accrued vacations at June 30, 2019 is \$58,321.

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Accounts Receivable

Grants and accounts receivable are stated at unpaid balances. No allowance was recorded as management considers receivable to be fully collectible.

Pledges Receivable

Pledges receivable balances are stated at unpaid balance, less an allowance for doubtful accounts. The Organization provides for losses on receivable balances using the allowance method.

Property and Equipment

Acquisitions of fixed assets in excess of \$2,000 are capitalized and stated at cost, or fair value if donated. Property held by the Organization but for which the title reverts to the grantors is treated as a grant expense in year acquired and not presented as property and equipment on the statement of financial position. Property and equipment are depreciated on a straight-line basis over estimated service lives as follows:

Buildings and improvements	15 - 39 years
Office furniture and equipment	3 - 7 years

Income Taxes

The Organization 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. It has been classified as an organization that is not a private foundation. Therefore, charitable contributions are tax deductible. Accordingly, there is no provision for income taxes from operations. The Organization is, however, subject to income taxes from activities unrelated to its tax-exempt purpose such as revenues derived from rent. Income taxes on such amounts were immaterial in 2019. After they are filed, the Organization's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities and the in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Revenue

The Organization records cash received for future services as deferred revenue. This revenue is recognized when services are provided.

Fair Value Measurements

The Organization has implemented the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10, *Fair Value Measurements and Disclosures* (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10.

The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

*Investments in equity securities:* The fair values of investments are based on unadjusted quoted market prices within active markets.

Subsequent Events

Management has evaluated events and transactions for potential recognition and disclosure through May 28, 2020, which is the date the financial statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. The Organization expects this matter to impact its operating environment; however, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of Yolo Food Bank's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Yolo Food Bank's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,732,238
Investments in equity securities	26,679
Grants and accounts receivable, net	345,782
Pledges receivable, net	<u>303,050</u>
Financial assets	2,407,749
Less those unavailable for general expenditure within one year, due to purpose restrictions stipulated by donors	<u>(592,389)</u>
Financial assets available to meet cash need for expenditures within one year	<u><u>\$ 1,815,360</u></u>

NOTE 4: INVENTORY

Purchased inventory is stated at lower of cost or net realizable value. Commodities and other donated inventories are stated at the average composite wholesale value of \$1.62 per pound. The composite price is the estimated weighted average wholesale amount per pound.

Inventory at June 30, 2019, consists of the following:

Donated food inventory	\$ 388,123
Commodities inventory	353,484
Purchased inventory	<u>101,780</u>
Total inventory	<u><u>\$ 843,387</u></u>

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 5: GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable represent reimbursements from the following sources for program costs incurred prior to June 30, 2019:

California Department of Social Services - EFAP	\$ 82,260
Yolo County Eat Well Yolo	41,341
Yolo County CSBG	14,901
Yocha Dehe Wintun Nation	200,000
Other receivables	7,280
	<u>7,280</u>
Total grants and accounts receivable	<u>\$ 345,782</u>

NOTE 6: PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30, 2019:

Pledges receivable	\$ 1,052,441
Less discount to present value	(35,341)
Less allowance for doubtful accounts	(52,622)
Total pledges receivable	<u>\$ 964,478</u>

In 2016, the Organization began a capital campaign designed to raise funds for the acquisition and rehabilitation of a new facility. The unconditional promises to give reported as capital campaign receivable consist of the following at June 30, 2019:

Receivable in less than one year	\$ 319,000
Less allowance for doubtful accounts	(15,950)
Current pledges receivable, net	<u>\$ 303,050</u>
Receivable in one to five years	\$ 683,441
Receivable in five years	50,000
Less discount to present value at 2.5%	(35,341)
Less allowance for doubtful accounts	(36,672)
Noncurrent pledges receivable, net	<u>\$ 661,428</u>

NOTE 7: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are comprised of the following at June 30, 2019:

Equity securities	<u>\$ 26,679</u>
Total investments	<u>\$ 26,679</u>

Investment income and gains (losses) for the year ended June 30, 2019, consisted of the following:

Interest and dividends	\$ 1,573
Net realized and unrealized gains	1,052
Less: investment expenses	(37)
Investment income, net	<u>\$ 2,588</u>

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 7: INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table set forth by level, within the fair value hierarchy, the Organization's assets that are measured on a recurring basis as of June 30, 2019 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 26,679	\$ -	\$ -	\$ 26,679
Investments, June 30, 2019	<u>\$ 26,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,679</u>

NOTE 8: RESERVES

Reserves at June 30, 2019, consisted of the following balances:

Debt Service Reserve	\$ 142,401
Lender Fee Reserve	<u>304,661</u>
Total reserves	<u>\$ 447,062</u>

Debt Service Reserve

The Organization is required by the lender to fund a debt service reserve account in the amount of \$169,750 from the proceeds of the Loan. The Organization shall utilize the proceeds in the Debt Service Reserve to make interest payments due under the loan agreement.

Lender Fee Reserve

The Organization is required by the lender to fund a Lender Fee Reserve in the amount of \$323,700 from the proceeds of the Loan. The Organization shall utilize the proceeds in the Lender Fee Reserve to make payments due under the Fee Agreement with the Lender. See Note 16 for additional information on the Fee and Expense Agreement.

NOTE 9: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consisted of the following:

Property and equipment:	
Land	\$ 352,783
Building and improvements	1,086,448
Furniture and fixtures	590,213
Machinery and equipment	338,533
Vehicles	363,515
Construction in progress	<u>4,416,354</u>
Total property and equipment	7,147,846
Less accumulated depreciation	<u>(337,739)</u>
Property and equipment, net	<u>\$ 6,810,107</u>

Depreciation expense was \$195,012 for the year ended June 30, 2019.

NOTE 10: LOAN PAYABLE

In July 2015, the Organization entered into a loan agreement with Northern California Community Loan Fund for a total commitment of \$315,000. The loan had a 24-month term with an interest rate of 5.75%. Payments were interest only for the term of the loan with the principal and any interest due at the maturity of the loan. The loan was repaid in full during the year ended June 30, 2019.

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 11: LONG-TERM DEBT

In May 2013, the Organization purchased a building for \$1,265,000 which is secured by a mortgage in the amount of \$948,750. The loan had a 15-year term with a variable interest rate. Interest was calculated based on the weekly average yield on United States Treasury Securities adjustment to a constant maturity of five years plus a margin of 2.50%. The interest rate had a lifetime cap of 6% from the initial interest rate of 4.25%. The loan was repaid in full during the year ended June 30, 2019.

During 2019, the Organization obtained a loan payable of \$60,000 from Northern California Community Loan Fund. The loan was repaid in full during the year ended June 30, 2019.

During 2019, the Organization obtained a total loan from Northern California Community Loan Fund in the amount of \$1,251,021. The loan was separated into two source loans, Loan A and Loan B with a balance of \$951,021 and \$300,000, respectively. Loan A has a term of seven years with an interest rate of 5.50%. Loan A has an interest only period of 6 months and then principal and interest payments of \$5,840 are due monthly of \$5,840. Loan A matures on May 2, 2026. Loan A has a balance of \$951,021 at June 30, 2019. Loan B had a term of two years with an interest rate of 5.50%. Interest payments on Loan B were due monthly and the Organization was required to fund a Debt Service Reserve Account in the amount of \$24,750 to make interest payments to the Lender. Loan B was repaid in full during the year ended June 30, 2019.

During 2019, the Foundation obtained a loan from Northern California Community Loan Fund in the amount of \$2,028,600 in relation to the New Market Tax Credit transaction that occurred during the year. See Note 16 New Market Tax Credits for additional information. The loan has a term of 35 years and matures on May 2, 2054. The loan requires quarterly interest only payments of \$12,679 for 7 years. Beginning on June 5, 2026, principal and interest payments are due quarterly of \$25,240. The loan has a balance of \$2,028,600 at June 30, 2019.

The following is a summary of the maturities of the notes payable in each of the next five years and thereafter are as follows:

<u>Year Ending June 30:</u>	
2020	\$ 12,042
2021	18,909
2022	19,976
2023	21,103
2024	22,293
Thereafter	<u>2,885,298</u>
Total	<u>\$ 2,979,621</u>

NOTE 12: LEASE COMMITMENTS

In April 2016, the Organization entered into a lease for a copier with a 5-year term. The minimum monthly payment for the lease is \$289 per month. Rental expense for the year totaled \$3,969.

In May 2019, the Organization entered into a lease with the Foundation for the land, building and equipment located at 233 Harter Avenue. The lease for the land and building is a 35-year lease requiring minimum yearly payments of \$113,345. The lease for the equipment is a 8-year lease requiring minimum yearly payments of \$70,000. The rental expense for the year totaled \$61,210. The intercompany expense and revenue relating to the lease was eliminated during consolidation.



YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 12: LEASE COMMITMENTS (CONTINUED)

Future minimum lease commitments are as follows:

<u>Year Ending June 30:</u>	
2020	\$ 3,473
2021	<u>2,605</u>
Total	<u>\$ 6,078</u>

NOTE 13: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2019:

Subject to expenditure for specified purpose:

Food distribution programs	\$ 200,000
Capital Campaign	<u>1,053,817</u>
Total net assets with donor restrictions	<u>\$ 1,253,817</u>

NOTE 14: RETIREMENT PLAN

The Organization has established a salary deferral plan under Internal Revenue Code 403(b) covering all employees. The Organization contributes a maximum of 3% of an employee's gross annual salary after the first year of employment. Contributions to the plan were \$3,736 for the year ended June 30, 2019.

NOTE 15: COMMITMENTS AND CONTINGENCIES

The Organization has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursement will not be material.

NOTE 16: NEW MARKET TAX CREDIT PROGRAM

To meet demand and prepare for future needs, in 2013 Yolo Food Bank acquired the land and industrial building located at 233 Harter Ave, Woodland, California (the "Property"). The Property was purchased for \$1,274,000, of which \$948,750 was financed through long-term debt (see Note 11). The Property was purchased to rehabilitate and develop into an approximately 42,500 square-foot facility, to serve as organizational headquarters, a food bank and educational outreach facility. The Property more than doubled the size of the Yolo Food Bank's previous facility and provide for three-times the warehouse space, additional administrative offices and meeting rooms for expanded educational outreach programs.

After acquiring the Property, Yolo Food Bank began a Capital Campaign to help fund the rehabilitation and development of the Property. Since 2013, Yolo Food Bank has collected approximately \$6 million in Capital Campaign pledges. Although Yolo Food Bank had secured a substantial amount of funds to rehabilitate and develop the Property, additional financing was needed. Yolo Food Bank sought funding through proceeds of a corporate investment associate with the United States Treasury's New Market Tax Credits ("NMTC") program to help fund the gap. Under the NMTC program, investors in businesses located in qualifying census tracts or serving targeted low-income populations are eligible for a tax credit on their invested funds.

To ensure that the investors investment funds are properly protected from program operating risks, NMTC investors require that their investments be made into a special purpose entity that owns and operates the physical real estate asset, but does not directly provide program services. Yolo Food Bank formed the YFB Foundation to serve as the special purpose entity to receive the NMTC financing.

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019

NOTE 16: NEW MARKET TAX CREDIT PROGRAM (CONTINUED)

The NMTC program also required the creation of an investment Fund, COCRF Investor 116, LLC (the "Investment Fund") and a sub-community development entity, NCCLP NMTC SUB-CDE 22, LLC (the "Sub-CDE"). The Investment Fund is owned solely by Capital One, N.A., however all of the interests and rights of the Investment Fund have been assigned to Yolo Food Bank. The purpose of these entities is to accumulate and distribute funds under the guidelines of the NMTC program.

The first phase of the NMTC Program required Yolo Food Bank to fund a loan to the Investment Fund in the amount of \$4,761,400. To fund this loan, in addition to contributing approximately \$3,600,000 of capital campaign funds, Yolo Food Bank obtained a loan from Northern California Community Loan Fund ("NCCLF") in the amount of \$1,251,021. This loan was separated into two source loans in the amounts of \$951,021 and \$300,000 (see Note 11). Through the source loans obtained, Capital Campaign pledges and cash on hand, Yolo Food Bank successfully funded the \$4,761,400 loan to the Investment Fund.

During the second phase of the NMTC program, the Investment Fund obtained a loan from Capital One with the NMTC Equity of \$2,238,600. After funding, a total of \$7,000,000 was being held by the Investment Fund.

The third phase of the NMTC program required the Investment fund to make a contribution of equity to the Sub-CDE in the amount of \$7,000,000 (the "Investment Fund Capital Contribution"). The Sub-CDE used \$6,790,000 to make loans of \$4,761,400 and \$2,028,600 to YFB Foundation, which was used to (a) finance the hard and soft costs incurred in connection with the development of the Property (b) pay transaction costs incurred in connection with the Loans and (c) fund the reserves as described in below. The remaining \$210,000 of the Investment Fund Capital Contribution was used to pay NCCLF a sub-allocation fee. The Investment Fund Capital Contribution is intended to remain invested in Sub-CDE through the 7-year compliance period in accordance with NMTC Program Requirements.

Upon receiving the loans from the Sub-CDE of \$4,761,400 and \$2,028,600, the YFB Foundation used \$3,998,786 of the loan proceeds to reimburse Yolo Food Bank for costs incurred on the development of the Property. The remainder of the proceeds totaling \$2,791,214 were used to finance additional costs in connection with the development of the property, pay transaction costs incurred in connection with the Loans, and und reserves as described below.

YFB Foundation was obligated to fund two reserves, the Debt Service Reserve and the Lender Fee Reserve, with the proceeds obtained from the Sub-CDE loans. The Debt Service Reserve and Lender Fee Reserve had initial funding of \$169,750 and \$323,700, respectively, from the proceeds of the loans. The Debt Service Reserve can be utilized to make interest payments that are due under the loan agreement and the Lender Fee Reserve can be utilized to make payments that are due under the Fee Agreement with the NCCLF (see Note 8).

Additionally, in conjunction with the NMTC Program, a Fee Agreement with NCCLF provides for two fees that will be paid over the 7-year compliance period. The first fee, is the Asset Management Fee payable in the amount of \$35,000 annually on December 1st of each year. The second fee, is the Administrative Expenses Fee to for the expenses that NCCLF will incur due to the loans made to YFB Foundation. The fee is to be paid within 10 days following written notice from NCCLF in the amount requested. The projected Administrative Expenses for the 7-year compliance period is approximately \$78,700. However, in the event that the fees exceed the Lender Fee Reserve, the Organization shall be obligated to reimburse NCCLF for any excess administrative fees.

YOLO FOOD BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019

NOTE 17: PRIOR PERIOD ADJUSTMENTS

During 2019, management discovered costs that related to the construction in progress of the building had been expensed in the prior year. Additionally, management became aware that pledges received for capital campaign contributions were not reflected in financial records as revenue with donor restrictions in the period in which they were received and receivables. Accordingly, the Organization has restated the prior year beginning net assets for these differences.

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>
June 30, 2018, balance as originally stated	\$ 5,074,870	\$ -
Construction in progress costs	614,452	-
Grants and awards received	-	300,000
Capital campaign contributions pledged	-	288,634
Recognition of discount and uncollectible capital campaign pledges	22,869	-
Capital campaign donations with donor restrictions	<u>(2,029,799)</u>	<u>2,029,799</u>
June 30, 2018, balance as restated	<u>\$ 3,682,392</u>	<u>\$ 2,618,433</u>

SUPPLEMENTARY INFORMATION

YOLO FOOD BANK

SCHEDULE I  
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
June 30, 2019

	Yolo Food Bank	YFB Foundation	Eliminating Entries	Consolidated
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 424,661	\$ 1,307,577	\$ -	\$ 1,732,238
Investments in equity securities	26,679	-	-	26,679
Grants and accounts receivable, net	1,034,232	-	(688,450)	345,782
Pledges receivable, net	303,050	-	-	303,050
Inventory	843,387	-	-	843,387
Other assets	833	-	-	833
<b>Total current assets</b>	<b>2,632,842</b>	<b>1,307,577</b>	<b>(688,450)</b>	<b>3,251,969</b>
Pledges receivable, net of current portion and allowance	661,428	-	-	661,428
Reserves	-	447,062	-	447,062
Loan receivable	4,761,400	-	(4,761,400)	-
Property and equipment, net	132,132	6,677,975	-	6,810,107
<b>Total assets</b>	<b>\$ 8,187,802</b>	<b>\$ 8,432,614</b>	<b>\$ (5,449,850)</b>	<b>\$ 11,170,566</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 341,875	\$ -	\$ -	\$ 341,875
Other payable	-	688,450	(688,450)	-
Accrued payroll and benefits	113,315	-	-	113,315
Deferred revenue	72,510	-	-	72,510
Current portion of long-term debt	12,042	-	-	12,042
<b>Total current liabilities</b>	<b>539,742</b>	<b>688,450</b>	<b>(688,450)</b>	<b>539,742</b>
Long-term debt, net of current portion	938,979	6,790,000	(4,761,400)	2,967,579
<b>Total liabilities</b>	<b>1,478,721</b>	<b>7,478,450</b>	<b>(5,449,850)</b>	<b>3,507,321</b>
Net assets:				
Without donor restrictions	5,455,264	954,164	-	6,409,428
With donor restrictions	1,253,817	-	-	1,253,817
<b>Total net assets</b>	<b>6,709,081</b>	<b>954,164</b>	<b>-</b>	<b>7,663,245</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,187,802</b>	<b>\$ 8,432,614</b>	<b>\$ (5,449,850)</b>	<b>\$ 11,170,566</b>

See independent auditor's report.

## YOLO FOOD BANK

SCHEDULE II  
CONSOLIDATING STATEMENTS OF ACTIVITIES  
For the Year Ended June 30, 2019

	<u>Yolo Food Bank</u>	<u>YFB Foundation</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
Net assets without donor restrictions:				
Support and revenue:				
Grants and awards	\$ 538,981	\$ -	\$ -	\$ 538,981
Capital campaign	1,621,510	-	-	1,621,510
Contributions	1,260,207	-	-	1,260,207
In-kind food donations	5,398,335	-	-	5,398,335
Fundraising	317,679	-	-	317,679
Food sales programs	102,875	-	-	102,875
Investment income, net	2,588	-	-	2,588
Miscellaneous income	-	61,210	(61,210)	-
Loss on disposal of fixed assets	(75,617)	-	-	(75,617)
Assets released from with donor restrictions	<u>2,418,433</u>	<u>-</u>	<u>-</u>	<u>2,418,433</u>
Total unrestricted revenue and support	<u>11,584,991</u>	<u>61,210</u>	<u>(61,210)</u>	<u>11,584,991</u>
Expenses:				
Program services	7,902,279	-	(55,089)	7,847,190
Support services:				
Management and general	272,260	525,501	(6,121)	791,640
Fundraising	<u>173,387</u>	<u>-</u>	<u>-</u>	<u>173,387</u>
Total unrestricted expenses	<u>8,347,926</u>	<u>525,501</u>	<u>(61,210)</u>	<u>8,812,217</u>
Change in net assets without donor restrictions	3,237,065	(464,291)	-	2,772,774
Net assets with donor restrictions:				
Support and revenue:				
Capital Campaign	1,053,817	-	-	1,053,817
Assets released from with donor restrictions	<u>(2,418,433)</u>	<u>-</u>	<u>-</u>	<u>(2,418,433)</u>
Change in net assets with donor restrictions	(1,364,616)	-	-	(1,364,616)
Net assets, beginning of year	6,255,087	-	-	6,255,087
Transfers of net assets:				
Land and building	(1,273,193)	1,273,193	-	-
Construction in progress	(4,144,049)	4,144,049	-	-
Reimbursement of expenses	<u>3,998,787</u>	<u>(3,998,787)</u>	<u>-</u>	<u>-</u>
Total transfer of net assets	<u>(1,418,455)</u>	<u>1,418,455</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 6,709,081</u>	<u>\$ 954,164</u>	<u>\$ -</u>	<u>\$ 7,663,245</u>

See independent auditor's report.

YOLO FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2019

Program Name	Federal CFDA Number	Program Expenditures
<u>U.S. Department of Agriculture pass-through programs:</u>		
California Department of Social Services:		
Commodities Emergency Food Assistance Programs	10.569	\$ 944,156
Commodities Emergency Food Assistance Programs	10.568	<u>112,526</u>
Total U.S. Department of Agriculture		<u>1,056,682</u>
<u>U.S. Department of Health and Human Services pass-through programs:</u>		
County of Yolo Department of Employment and Social Services:		
Community Services Block Grant	93.569	55,058
County of Yolo Health and Human Services Agency:		
Temporary Assistance for Needy Families	93.558	44,039
Regional Emergency Food and Shelter Program:		
Emergency Food and Shelter National Board Program	97.024	<u>17,121</u>
Total U.S. Department of Health and Human Services		<u>116,218</u>
Total expenditures of federal awards		<u><u>\$ 1,172,900</u></u>

See accompanying notes to the schedule of expenditures of federal awards.

YOLO FOOD BANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2019

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of Yolo Food Bank (the "Organization"). All expenditures of federal financial assistance received are included in the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenses of federal grant activity of the Organization is presented on the accrual basis of accounting. 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).

NOTE 3: CLAIMS

The Organization has received federal grants for specific purposes that are subject to review and audit by the Federal Government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

NOTE 4: INDIRECT COST REIMBURSEMENTS

The Uniform Guidance requires that all indirect costs be charged through the use of an approved indirect cost rate. When no indirect cost rate has been approved, the Uniform Guidance allows for a one-time election to use a 10% *de minimus* reimbursement rate. The Organization has not elected to use the 10% *de minimus* indirect cost rate allowed under Uniform Guidance.



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

To the Board of Directors  
Yolo Food Bank  
Woodland, 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 consolidated financial statements of Yolo Food Bank (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated 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 May 28, 2020.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Yolo Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yolo Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Yolo Food Bank'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yolo Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 2019-003, 2019-004 and 2019-005.

### Yolo Food Bank's Response to Findings

Yolo Food Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned cost. Yolo Food Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Propp Christenson Caniglia LLP*

May 28, 2020  
Roseville, California

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

To the Board of Directors of  
Yolo Food Bank  
Woodland, California

**Report on Compliance for Each Major Federal Program**

We have audited Yolo Food Bank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Yolo Food Bank's major federal programs for the year ended June 30, 2019. Yolo 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Yolo Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Yolo 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Yolo Food Bank's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Yolo Food Bank 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 June 30, 2019.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004 and 2019-005. Our opinion on each major federal program is not modified with respect to these matters.

Yolo Food Bank's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Yolo Food Bank's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of Yolo Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Yolo Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Yolo Food Bank's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004 and 2019-005, that we consider to be significant deficiencies.

Yolo Food Bank's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Yolo Food Bank's response was not subjected to the auditing procedures applied in the audit of the compliance and, accordingly, we express no opinion on the response.

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.

*Propp Christenson Caniglia LLP*

May 28, 2020  
Roseville, California

YOLO FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued on basic financial statements Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiencies identified that are not considered to be material weakness? No

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? Yes

Identification of Major Programs:

<u>C DFA Number</u>	<u>Name of Federal Program</u>
10.568, 10.569	Emergency Food Assistance Program Cluster

The dollar threshold used to distinguish between type A and type B program was: \$750,000

Yolo Food Bank does not qualify as a low-risk auditee

YOLO FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2019

II. FINDINGS – FINANCIAL STATEMENT AUDIT

**Finding:** 2019-001  
**Finding Type:** Material weakness

Criteria

ASC 958-210-45-9 stipulates that the amounts for each of the two classes of net assets—with donor restrictions and without donor restrictions—are based on the existence or absence of donor-imposed restrictions. Information about the nature and amounts of different types of donor-imposed restrictions shall be provided either by reporting their amounts on the face of the statement of financial position or by including relevant details in notes to financial statements.

Condition

An adjustment to net assets with donor restrictions at the beginning of the year was necessary to present the consolidated financial statements in accordance with generally accepted accounting principles.

Cause

Funds received for capital campaign contributions were not reflected in the financial records as revenue with donor restrictions in the period in which they were received.

Effect of Condition

Net assets with donor restrictions at the beginning of the year was understated by \$2,029,799.

Recommendation

We recommend that policies and procedures be implemented to ensure that records be maintained of both restrictions and the release of restrictions so that restricted revenue, releases of restricted revenue, and net assets with donor restrictions may be accurately reflected in yearend financial statements.

Management's Response

Management agrees with the recommendation. We identified this weakness early in preparation for this audit and brought in knowledgeable consultants to assist. We will continue to work with the Auditors to identify any additional areas of concern to properly classify and account for transactions in the correct fiscal year. In addition, the organization is undergoing an internal evaluation to develop a job description and identify a professional with the experience necessary to head the financial operations of the organization.

YOLO FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended June 30, 2019

II. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

**Finding:** 2019-002  
**Finding Type:** Material weakness

Criteria

Generally accepted accounting principles requires both costs and revenue to be reported on the accrual basis of accounting.

Condition

Adjustments were necessary to recognize costs as construction in progress in the appropriate reporting period. Adjustments were also necessary to record pledges receivable and corresponding net assets with donor restrictions in the appropriate reporting period.

Cause

Construction in progress costs of \$233,947 should have been recorded in fiscal year ending June 30, 2018. Construction in progress costs of \$319,073 should have been accrued for the year ended June 30, 2019. Also, capital campaign pledges revenue and pledges receivable of \$1,017,100 and \$288,634 should have been recorded for the fiscal years ending June 30, 2019 and 2018, respectively.

Effect of Condition

At June 30, 2018 construction in progress was understated by \$233,947. At June 30, 2019 expense was understated by approximately \$319,073. At June 30, 2018, net assets with donor restrictions and pledges receivable were understated by \$288,634. At June 30, 2019, net assets with donor restrictions and accounts receivable were understated by \$1,017,100.

Recommendation

We recommend that policies and procedures be implemented to ensure that proper cutoff is achieved and accruals are recorded in the appropriate period.

Management's Response

Management agrees with the recommendation. We identified this weakness early in preparation for this audit and brought in knowledgeable consultants to assist. We will continue to work with the Auditors to identify any additional areas of concern to properly classify and account for transactions in the correct fiscal year.

YOLO FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019

III. FINDINGS – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT

<b>Finding:</b>	2019-003
<b>CFDA Number:</b>	10.569
<b>Program Name:</b>	Commodities Emergency Food Assistance Programs
<b>Federal Agency:</b>	Department of Agriculture
<b>Finding Type:</b>	Significant Deficiency and Noncompliance
<b>Compliance Requirement:</b>	Reporting
<b>Questioned Costs:</b>	N/A

Criteria

Uniform Guidance 2 CFR 200.512(a) requires that financial audits are completed and submitted to the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.

Condition

The Organization's June 30, 2018 financial statement audit was not submitted to the Federal Audit Clearinghouse within 30 calendar days after the receipt of the auditor's report.

Cause

There was uncertainty with a 3<sup>rd</sup> party service provider regarding who would complete the submission.

Effect of Condition

The Organization is out of compliance with the reporting requirements detailed in the Uniform Guidance.

Recommendation

We recommend that policies and procedures be implemented to ensure the financial statement audit is submitted to the Federal Audit Clearinghouse within the required timeframe.

Management's Response

Management agrees with the recommendation and will work with the auditor to ensure the financial audit is submitted to the Federal Audit Clearinghouse within the required timeframe. Management has taken substantial steps to prevent this from happening in the future, including but not limited to an internal review of all accounting policies and procedures, a review of methodologies and tools used to track accounting deadlines and commitments. Management is also in the process of evaluating the personnel needs, knowledge and requirements necessary as the organization continues to grow.



YOLO FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019

III. FINDINGS – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (CONTINUED)

<b>Finding:</b>	2019-004
<b>CFDA Number:</b>	10.569
<b>Program Name:</b>	Commodities Emergency Food Assistance Programs
<b>Federal Agency:</b>	Department of Agriculture
<b>Finding Type:</b>	Significant Deficiency and Noncompliance
<b>Compliance Requirement:</b>	Eligibility & Special Provisions
<b>Questioned Costs:</b>	N/A

Criteria

Uniform Guidance 7 CFR 251.5(a) requires that an eligible recipient agency certify households eligible to receive USDA Foods for household consumption by applying income eligibility criteria established by the State agency. Uniform Guidance 7 CFR 250.19 requires that distributing agencies must maintain accurate and complete records with respect to the distribution of USDA Foods.

Condition

The Organization uses EFA-7 forms to document eligibility. During compliance testing, three instances were noted in which the forms for a specific day were not able to be located in the Organization's records.

Cause

It appears that three instances of EFA-7 forms were not retained.

Effect of Condition

The Organization is out of compliance with the requirements under 7 CFR 251.5(a) and 7 CFR 250.19.

Recommendation

We recommend the Organization maintain EFA-7 forms in a manner that makes them readily accessible for review.

Management's Response

Management agrees with the recommendation and will implement a system that will allow EFA-7 forms to be readily accessible for review. Management will institute a system of review to ensure all forms are properly completed. Management will also draft a policy requiring the retention of the documents and train all relevant personnel about the requirements around these forms. A periodic review of the documents and procedures will be completed to ensure ongoing compliance with 7 CFR 251 (a).

YOLO FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2019

III. FINDINGS – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT (CONTINUED)

<b>Finding:</b>	2019-005
<b>CFDA Number:</b>	10.569
<b>Program Name:</b>	Commodities Emergency Food Assistance Programs
<b>Federal Agency</b>	Department of Agriculture
<b>Finding Type:</b>	Significant Deficiency and Noncompliance
<b>Compliance Requirement:</b>	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
<b>Questioned Costs:</b>	N/A

Criteria

Uniform Guidance 7 CFR 200.430 stipulates that:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities...;
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity...;
- (v) Comply with the established accounting policies and practices of the non-Federal entity...;
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Condition

Payroll costs allocated to the grant appear to be based upon estimates, provided by employee's supervisor, of the percentage of time spent by employees on grant activities.

Cause

The Organization does not maintain detailed time records by activity for employees outlining the total activity for which the employee is compensated in a given pay period.

Effect of Condition

The Organization is out of compliance with the requirements under 7 CFR 200.430.

Recommendation

We recommend that the Organization maintain timesheets by activity or perform time studies that allows the Organization to adequately demonstrate the tracking and allocation of payroll costs for both federally assisted and non-federally assisted activities to which employee costs are charged.

Management's Response

Management agrees with the recommendation. Management has taken substantial steps to prevent this from happening in the future, including but not limited to an internal review of all accounting policies and procedures, a review of methodologies and tools used to track accounting deadlines and commitments. Special attention will be placed on grant compliance requirements to assure complete compliance. Management is also in the process of evaluating the personnel needs, knowledge and requirements necessary as the organization continues to grow.

YOLO FOOD BANK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2019

IV. PRIOR AUDIT FINDINGS

No prior year findings.

**Executive Director**

Michael Bisch

**Director of Philanthropic Engagement**

Joy Cohan

**Director of Operations**

Corkey Mapalo

**Director of Administration**

Valerie Dennis

**Director of Programs**

Zane Hatfield

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**Board of Directors**

**President**

Tom Muller

**Vice President**

Elizabeth Schmitz

**Secretary**

Jim Durst

**Treasurer**

Jennifer Engstrom

**Members**

Andrea Gaytan

Donald Hartman

Matt Mariani

Dan Ramos

Kate Stille

Louise Walker

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**Yolo Food Bank**

233 Harter Ave  
Woodland, CA 95776

yolofoodbank.org

info@yolofoodbank.org

(530) 668-0690



## Corrective Action Plan

**Name of auditee:** Yolo Food Bank

**Name of audit firm:** Propp Christensen Caniglia LLP

**Period covered by the audit:** July 1, 2018 through June 30, 2019

**CAP prepared by:**

**Name:** Michael Bisch

**Position:** Executive Director

**Telephone:** 530-256-6412

**Finding 2019-001**

**Comments:** Management agrees with the finding.

**Actions:** Management will continue to work with the Auditors to identify any additional areas of concern to properly classify and account for transactions in the correct fiscal year. We have reviewed all the relevant transactions from 07/01/2018 and current to ensure that all transactions have been properly classified.

**Anticipated completion date:** Completed 12/31/2019

**Finding 2019-002**

**Comments:** Management agrees with the finding.

**Actions:** Management will implement a system that will ensure that assets are properly classified going forward. We have also reviewed that classification of all assets from 7/1/2018 till now. Management is also working with accounting staff to ensure that they understand these classifications. In addition, management has hired a consultant to review the accounting systems on a ongoing basis to further ensure compliance

**Anticipated completion date:** Completed 12/31/2019

### **Finding 2019-003**

Comments: Management agrees with the finding.

Actions: Management has made changes to its systems and engaged consultants who are current with single audit requirements to ensure continued compliance with the grant compliance and reporting requirements. In addition, Management has taken steps to educate themselves and accounting staff on their grant compliance requirements.

Anticipated completion date: Completed 4/30/2020

### **Finding 2019-004**

Comments: Management agrees with the finding.

Actions: Management will institute a system of review to ensure all forms are properly completed. Management will also draft a policy requiring the retention of the documents and train all relevant personnel about the requirements around these forms. A periodic review of the documents and procedures will be completed to ensure ongoing compliance with 7 CFR 251 5(a).

Anticipated completion date: 6/30/2020

### **Finding 2019-005**

Comments: Management agrees with the finding.

Actions: Management has taken substantial steps to prevent this from happening in the future, including but not limited to an internal review of all accounting policies and procedures, a review of methodologies and tools used to track expenses, time and project allocation rules. Special attention will be placed on grant compliance requirements to assure complete compliance. Management will institute new controls and systems to ensure that time keeping and allocation is processed as required. Management is also in the process of evaluating the personnel needs, knowledge and requirements necessary as the organization continues to grow.

Anticipated completion date: Completed 12/31/2019