FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2015

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	**1 -2**
FINANCIAL STATEMENTS	
Statement of Financial Position	**3**
Statement of Activities	**4**
Statement of Functional Expenses	**5**
Statement of Cash Flows	**6**
Notes to Financial Statements	**7 - 11**
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	**12**
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	**13 - 14**
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	**15 - 16**
Schedule of Findings and Questioned Costs	**17 - 18**
Schedule of Prior Year Findings	**19**
Schedule of Food Received and Distributed	**20**

Suchan &
Associates
An Accountancy Corporation

3286 E. Guasti Road, Suite 130, Ontario, CA 91761

Phone: (909) 781- 6443 Fax: (909) 476- 7390 www.Suchancpa.com

INDEPENDENT AUDITORS' REPORT

To Board of Directors
Feeding America Riverside/ San Bernardino

Report on the financial Statements

We have audited the accompanying financial statements of **Feeding America Riverside/ San Bernardino**, which comprise the statements of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain evidence about the amounts and disclosures in the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of **Feeding America Riverside/ San Bernardino** as of June 30, 2015, 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.

Emphasis of Matter

Correction of Error

As described in Note 9 to the financial statements, the prior year inventory was increased due to cut-off errors. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Food Received and Distributed is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2016, on our consideration of **Feeding America Riverside/ San Bernardino's** internal control over financial reporting and our test 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 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* in considering Feeding America Riverside/ San Bernardino's internal control over financial reporting and compliance.

Suchan + Associates

Suchan & Associates
An Accountancy Corporation

Ontario, California
January 28, 2016

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS

CURRENT ASSETS		
Cash (Note 3)	$	539,885
Accounts receivable (Note 2)		38,209
Grants receivable (Note 2)		308,096
Food inventories (Notes2 and 4)		2,346,183
Prepaids expenses		47,796
Total Current Assets		**3,280,169**
RESTRICTED DEPOSITS (Note 3)		
Certificate of deposit		65,137
PROPERTY AND EQUIPMENT (Notes 2, 5 and 6)		473,989
OTHER ASSETS		
Deposits		6,800
Total Assets	**$**	**3,826,095**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses (Note 7)	$	142,487
Customer deposits		11,000
Deferred revenue		36,457
Total Current Liabilities		**189,944**
NON-CURRENT LIABILITIES		
Line of credit (Note 6)		80,000
Total Liabilities		**269,944**
NET ASSETS		
Unrestricted		317,994
Temporarily restricted		891,974
Temporarily restricted - in-kind (Note 4)		2,346,183
Total Temporarily Restricted Net Assets		3,238,157
Total Net Assets		**3,556,151**
Total Liabilities and Net Assets	**$**	**3,826,095**

The accompanying Notes to Financial Statements
are an integral part of this statement

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

		Temporarily Restricted Net Assets		
	Unrestricted	Cash Activity	Non-cash Inkind Activity	Total
PUBLIC SUPPORT AND REVENUES				
Support and Revenues				
Contributions	$ 891,769	$ 902,800	$ -	1,794,569
Special Events	36,255	-	-	36,255
United Way	6,592	-	-	6,592
Total Support and Revenues	**934,616**	**902,800**	**-**	**1,837,416**
Government grants				
Government grants	321,158	-	4,075,246	4,396,404
In-kind food contributions	-	-	48,485,967	48,485,967
Total Government Grants	**321,158**	**-**	**52,561,213**	**52,882,371**
Other Revenue				
Shared Maintenance	1,234,755	-	-	1,234,755
Interest	77	-	-	77
Recycling	11,770	-	-	11,770
Other Income	63,757	-	-	63,757
Total Other Revenue	**1,310,359**	**-**	**-**	**1,310,359**
Subtotal	**2,566,133**	**902,800**	**52,561,213**	**56,030,146**
Net assets released from restrictions				
Restrictions satisified by use	52,030,488	(403,922)	(51,626,566)	-
TOTAL REVENUES	**54,596,621**	**498,878**	**934,647**	**56,030,146**
EXPENSES				
Program services	53,979,500	-	-	53,979,500
Supporting services	392,153	-	-	392,153
Fundraising	349,646	-	-	349,646
Total Expenses	**54,721,299**	**-**	**-**	**54,721,299**
Total Operating Income (Loss)	**(124,678)**	**498,878**	**934,647**	**1,308,847**
NON-OPERATING INCOME (LOSS)				
Gain (loss) on sale of assets	1,033	-	-	1,033
Change in net assets	**(123,645)**	**498,878**	**934,647**	**1,309,880**
Net assets				
Balance, beginning of year as originally reported	441,639	393,096	1,372,458	2,207,193
Prior period adjustment (Note 9)	-	-	39,078	39,078
Beginning balance restated	441,639	393,096	1,411,536	2,246,271
Balance, end of year	**$ 317,994**	**$ 891,974**	**$ 2,346,183**	**$ 3,556,151**

The accompanying Notes to Financial Statements
are an integral part of this statement

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2015

	Programs Services	Support Services		
	Food Distribution	General and Admin.	Fund Raising	Total
Salaries and wages	$ 914,244	$ 137,137	$ 91,424	$ 1,142,805
Payroll taxes	67,350	10,103	6,735	84,188
Employee benefits	227,733	34,160	22,773	284,666
Consulting and staffing	68,526	10,279	6,852	85,657
Professional fees	57,141	7,792	17,064	81,997
Supplies	42,625	5,813	35,124	83,562
Telephone	21,901	2,987	-	24,888
Transportation	120,208	16,392	-	136,600
Postage	3,599	491	32,653	36,743
Printing	740	-	122,629	123,369
Occupancy	379,028	53,510	13,377	445,915
Insurance	37,976	5,179	-	43,155
Interest	-	936	-	936
Equipment rental and maintenance	200,280	40,167	-	240,447
Travel and conference	7,157	976	-	8,133
Dues and subscriptions	-	39,230	-	39,230
Food purchases	46,511	-	-	46,511
Miscellaneous	28,769	4,061	1,015	33,845
Total Expenses Before Depreciation and In-kind	**2,223,788**	**369,213**	**349,646**	**2,942,647**
In-kind food donations	51,587,488	-	-	51,587,488
Depreciation	168,224	22,940	-	191,164
Total Functional Expenses	**$ 53,979,500**	**$ 392,153**	**$ 349,646**	**$ 54,721,299**

The accompanying Notes to Financial Statements
are an integral part of this statement

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF CASH FLOWS

Year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,309,880
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	191,164
Gain on disposition of assets	(1,033)
(Increase) decrease in assets:	
Inventory	(934,647)
Accounts receivable	21
Grants receivable	(189,248)
Pledges receivable	33,000
Prepaid expenses	(32,753)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(30,576)
Deferred revenue	4,838
Customer deposits	11,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 361,646**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from restricted CD	225,058
Payment for CD	(99)
Proceeds from line of credit	80,000
Proceeds from sale of fixed assets	20,556
Payments for purchase of fixed assets	(356,104)
NET CASH USED FOR INVESTING ACTIVITIES	**(30,589)**
NET INCREASE IN CASH	**331,057**
CASH AT BEGINNING OF YEAR	208,828
CASH AT END OF YEAR	**$ 539,885**

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the years for:

Interest	$ 936
Income tax	$ -

The accompanying Notes to Financial Statements
are an integral part of this statement

1. ORGANIZATION

Feeding America Riverside/ San Bernardino, (Organization) formerly Second Harvest Food Bank, is a nonprofit public benefit corporation formed in January 1984 for the purpose of receiving food products solely to, or for the benefit of the needy, the infirmed, aged and infants residing within the counties of Riverside and San Bernardino, California. The Organization is affiliated with Feeding America, a national hunger relief organization.

Feeding America Riverside/ San Bernardino is the primary source of food for over 600 charities and nonprofit organizations, distributing over 2.5 million pounds of food monthly to emergency food pantries, homeless shelters, soup kitchens, day care centers, halfway houses, senior food programs, residential treatment centers, shelters for the abused, after school programs and group homes. More than 400,000 individuals are served each month.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

Accounts/Grants Receivable and Bad Debts

Accounts and grants receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, in the period the donor’s commitment is received.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Donated food products are redistributed by the Organization to its charitable beneficiaries and, accordingly, these donations have been recorded in the financial statements as contributions at a predetermined estimated fair market value.

No amounts have been reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization’s operations.

Inventories

Due to the pass-through nature of the food products received, inventories cost of goods sold is not recorded in the financial statements except as in-kind expense items. The donated inventory is valued at fair market value as an increase to inventory and donated in kind when received. The disbursed inventory is recorded as reduction of inventory and an in-kind expense when distributed to local nonprofits or other qualified agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capitalization and Depreciation

Depreciation of furniture and equipment is computed by the straight-line method over 3 - 7 years. Leasehold improvements are capitalized and amortized over the term of the lease or the estimated useful life of the improvements, whichever is less. Betterments that materially add to the value of related assets or materially extend the useful life of assets are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Property and equipment purchased over $5,000 is capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

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, respectively. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

There are no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2015.

Net Assets (Deficit) - The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization. As of June 30, 2015, the board has released the designated $100,000 in unrestricted funds for repairs and maintenance. Repair and maintenance costs are being funded by general operating or grant specific funding.

Temporarily restricted net assets - 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. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently Restricted Net Assets- Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. As of June 30, 2015, there are no permanently restricted net assets maintained by Feeding America Riverside/ San Bernardino.

Cash and cash equivalent

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were utilized in preparing the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Advertising costs

The Organization utilizes many forms of self-promotion and advertising as part of its fundraising activities. All costs are expensed as incurred.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

3. RESTRICTED DEPOSITS

Certificate of deposit bearing interest at .05% per annum with a maturity date of September 3, 2016, in the amount of $65,137 is held and separate for the building fund.

Included in cash and the certificate of deposit are temporarily restricted deposits which consist of the following restrictions:

Use Restrictions	
Current use restrictions	
Equipment and transportation	$ 421,741
Program	30,000
Capacity building and fundraising	26,837
Disaster plan	2,500
Total current use restrictions	481,078
Long term use restriction	
Building fund	290,096
Total use restrictions	$ 771,174

Feeding America Riverside/ San Bernardino received permission from the donor of the building fund to temporarily utilize the building fund to assist in the short term operating cash flow. This is to be re-funded and utilized for the purchase of a new building.

4. FOOD INVENTORIES

Donated food inventories are stated at the nationally calculated average price per pound of $1.70 as of June 30, 2015. This average per pound is based on an independent study by Feeding America. Purchased food is valued at cost. USDA commodities are stated at the value assigned by USDA.

Food inventory consists of the following:

Purchased	$ 3,641
Donated	2,029,256
USDA commodities	313,286
Total Food Inventory	$ 2,346,183

5. PLANT AND EQUIPMENT

Property and equipment consist of the following:

	Beginning Balance June 30, 2014	Additions	Deletions	Ending Balance June 30, 2015
Transportation and warehouse equipment	$ 1,625,238	288,316	295,371	$ 1,618,183
Office Equipment	92,241	-	5,875	86,366
Leasehold improvements	44,331	-	-	44,331
Total Fixed Assets	1,761,810	288,316	301,246	1,748,880
Accumulated Depreciation	1,433,238	191,164	281,722	1,342,680
Net Book Value	**328,572**	**97,152**	**19,524**	**406,200**
Construction in progress	**-**	67,789	-	67,789
Net Property and Equipment	**$ 328,572**	**$ 164,941**	**$ 19,524**	**$ 473,989**

Depreciation expense for the fiscal year ended June 30, 2015, totaled $191,164.

The depreciation policies followed by the Organization are described in Note 2.

All current and future assets of the Organization are pledged as security against debt described in note 6.

6. LINE OF CREDIT

$300,000 revolving line of credit payable to Feeding America dated June 24, 2015, bears no interest through July 1, 2017, after which interest will be charged at 2% plus the LIBOR 3-month maturity rate. The line of credit is secured by all current and future personal property owned by the Organization. Credit on the revolving line is available up to the line amount through June 30, 2017 and no payments are required until July 2017. Repayment will be 1/12 of the outstanding balance as of June 30, 2017. All principal and accrued interest is due on or before the maturity date of June 30, 2018.

7. COMPENSATED ABSENCES / ACCRUED VACATION

Employees accrue paid time off based on position and length of service. Included in accrued expenses is unpaid vacation as of June 30, 2015, in the amount of $51,658.

8. COMMITMENTS AND CONTINGENCIES

Litigation

The Organization experiences litigation during the normal course of its operations. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

Lease Obligations

Feeding America Riverside/ San Bernardino leases its warehouse and office facility with a 5 year, non-cancellable operating lease agreement. The lease expires May 31, 2017. The lease includes a two year renewal option at fair market rent. The agreement generally requires Feeding America Riverside/ San Bernardino to pay common area operating expenses. Total lease payments for the year ended June 30, 2015, was $314,380.

9. COMMITMENTS AND CONTINGENCIES - continued

Lease Obligations - continued

The following is a schedule by year of future minimum rental payments required under the operating lease agreements:

Property lease commitments:		
2016	$	348,092
2017		326,765
2018		-
2019		-
2020		-
	$	674,857

9. PRIOR PERIOD ADJUSTMENT

Beginning inventory was corrected to reflect prior year cut-off adjustments. The adjustment increased inventory and non-cash temporarily restricted net assets in the amount of $39,078.

10. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Feeding America Riverside/ San Bernardino to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The balance in these accounts may, at times, exceed federally insured limits; however, the Organization does not believe it is subject to any significant credit risk as a result of these deposits. At June 30, 2015, Feeding America Riverside/ San Bernardino had approximately $583,444 in excess of FDIC insured limits.

11. SUBSEQUENT EVENTS

Feeding America Riverside/ San Bernardino has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2015, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 28, 2016, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through I.D. Number	Federal Expenditures
U.S. Department of Health and Human Services			
Riverside County Office on Aging			
Senior Food Share	93.044	OA61615FY15	**$ 27,000**
U.S. Department of Agriculture - Food Distribution Cluster:			
California Department of Social Services			
Emergency Food Assistance Program - Administration	10.568	10-6051	294,158
Emergency Food Assistance Program - Food Commodities	10.569	10-6051	4,075,246
Total Food Distribution Cluster			**4,369,404**
Total			**$ 4,396,404**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Feeding America Riverside/ San Bernardino under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Feeding America Riverside/ San Bernardino, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Feeding America Riverside/ San Bernardino.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – FOOD DISTRIBUTION

Non-monetary assistance is reported at the fair value of the commodities received and distributed. At June 30, 2015, Feeding America Riverside/ San Bernardino had food commodities totaling $313,286 in inventory.

Suchan &
Associates
An Accountancy Corporation

3286 E. Guasti Road, Suite 130, Ontario, CA 91761
Phone: (909) 781- 6443 Fax: (909) 476- 7390 www.Suchancpa.com

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

To the Board of Directors
Feeding America Riverside/ San Bernardino

We have audited, 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, the financial statements of **Feeding America Riverside/ San Bernardino**; which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Feeding America Riverside/ San Bernardino'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Feeding America Riverside/ San Bernardino's internal control. Accordingly, we do not express an opinion on the effectiveness of the Feeding America Riverside/ San Bernardino'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Feeding America Riverside/ San Bernardino's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting identified as items 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Feeding America Riverside/ San Bernardino's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Suchan + Associates

Suchan & Associates
An Accountancy Corporation

Ontario, California
January 28, 2016

Suchan &
Associates
An Accountancy Corporation

3286 E. Guasti Road, Suite 130, Ontario, CA 91761
Phone: (909) 781- 6443 Fax: (909) 476- 7390 www.Suchancpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Feeding America Riverside/ San Bernardino

Report on Compliance for Each Major Program

We have audited Feeding America Riverside/ San Bernardino's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement,* that could have a direct and material effect on Feeding America Riverside/ San Bernardino's major federal program for the year ended June 30, 2015. Feeding America Riverside/ San Bernardino's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Feeding America Riverside/ San Bernardino'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 *OMB Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133)*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Feeding America Riverside/ San Bernardino'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 with each major program. However, our audit does not provide a legal determination of Feeding America Riverside/ San Bernardino's compliance.

Opinion on the Major Federal Program

In our opinion, Feeding America Riverside/ San Bernardino complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs identified above for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Feeding America Riverside/ San Bernardino 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 Feeding America Riverside/ San Bernardino's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Feeding America Riverside/ San Bernardino's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the 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*, as defined above. However, material weaknesses may exist that have not been identified.

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 our testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Suchan + Associates

Suchan & Associates
An Accountancy Corporation

Ontario, California
January 28, 2016

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of **Feeding America Riverside/ San Bernardino**.

2. Two significant deficiencies disclosed during the audit of the financial statements are reported in this Schedule. No material weaknesses are reported.

3. No instances of noncompliance material to the financial statements of **Feeding America Riverside/ San Bernardino** were disclosed during the audit.

4. No material weaknesses were identified during the audit of the major federal award programs.

5. The auditors' report on compliance for the major federal award programs for **Feeding America Riverside/ San Bernardino** expresses an unmodified opinion.

6. Audit findings, if any, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The programs tested as major programs:
   Food Distribution Cluster

USDA – Emergency Food Assistance Program (food commodities)	CFDA No. 10.569
USDA – Emergency Food Assistance Program (administrative costs)	CFDA No. 10.568

8. The threshold for distinguishing Types A and B programs was $300,000.

9. **Feeding America Riverside/ San Bernardino** was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

2015-001 – Cost Centers

Criteria: Costs must be reported in accordance with the grant or contract requirements.

Condition: Expenditures for federal programs and grants are manually being tracked outside of the accounting system. Manual tracking does not insure the proper recording of all costs to the proper grant and does not prevent the duplication of costs charged to more than one grant.

Cause: The grant module in the accounting system is not being utilized consistently.

Effect of Condition: The organization receives temporarily restricted grants and federal awards. Allocated costs for each grant or federal award is very difficult to determine and therefore could result in misallocated costs.

Recommendation: Cost centers should be assigned to each disbursement and recorded in the accounting software.

Response: Cost centers will be set up for all funding sources and disbursements will be charged to a cost center.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT (continued)

2015-002 – Financial Close Process

Criteria: Timely and accurate accounting is essential for the Organization, not only for the audit, but for management and governance to be able to analyze activity and make financial decisions.

Condition: Currently a formal financial month and year end close process does not exist. As a result, period-end cutoff errors were found, including accrual accounting not consistently being reported, module reports not agreeing with the general ledger, and accounting changes recorded after the start of the audit.

Cause: The Organization does not have a documented month end close policy and has been without a CFO to oversee the accounting process.

Effect of Condition: Unreliable interim accounting and excess audit adjustments.

Recommendation: A formal month-end financial close process should be documented and implemented to insure consistent and accurate reporting.

Response: As of January 2016, a new CFO has been hired and will implement a formal month end close procedure.

C. FINDINGS – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SUMMARY OF PRIOR YEAR FINDINGS

June 30, 2015

There were no Federal award findings for the year ended June 30, 2014.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SCHEDULE OF FOOD RECEIVED AND DISTRIBUTED

June 30, 2015

	Pounds	Dollars
Beginning inventory	1,016,502	$ 1,411,536
Donated food received	28,320,160	48,528,582
USDA commodities received	5,402,811	4,027,589
Purchased food	12,298	5,042
Total food available	34,751,771	53,972,749
Less food distributed and adjustments	33,119,029	51,626,566
Ending Inventory	1,632,742	$ 2,346,183

See Independent Auditors' Report