

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2016

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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, 2016, 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, 2016, 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.

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards*, 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 12, 2017, 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 12, 2017

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

CURRENT ASSETS

Cash (Note 3)	\$ 696,042
Accounts receivable (Note 2)	112,180
Grants receivable (Note 2)	535,538
Food inventories (Notes 2 and 4)	582,936
Prepaids expenses	53,318

Total Current Assets **1,980,014**

RESTRICTED DEPOSITS (Note 3)

Certificate of deposit	65,172
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PROPERTY AND EQUIPMENT (Notes 2, 5 and 6) 841,844

OTHER ASSETS

Deposits	6,800
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Total Assets **\$ 2,893,830**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses (Note 7)	\$ 206,658
Deferred revenue	24,100

Total Current Liabilities **230,758**

NON-CURRENT LIABILITIES

Line of credit (Note 6)	160,000
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Total Liabilities **390,758**

NET ASSETS

Unrestricted	638,508
Unrestricted - board designated	37,500
Unrestricted	676,008

Temporarily restricted	1,244,128
Temporarily restricted - in-kind (Note 4)	582,936

Total Temporarily Restricted Net Assets **1,827,064**

Total Net Assets **2,503,072**

Total Liabilities and Net Assets **\$ 2,893,830**

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, 2016

	Unrestricted	Temporarily Restricted Net Assets		Total
		Cash Activity	Non-cash Inkind Activity	
PUBLIC SUPPORT AND REVENUES				
Support and Revenues				
Contributions	\$ 898,981	\$ 1,055,185	\$ -	1,954,166
Special events	50,557	-	-	50,557
United Way	6,632	-	-	6,632
Total Support and Revenues	956,170	1,055,185	-	2,011,355
Government grants				
Government grants	596,740	-	4,508,151	5,104,891
In-kind food contributions	-	-	48,095,829	48,095,829
Total Government Grants	596,740	-	52,603,980	53,200,720
Other Revenue				
Shared maintenance	1,170,686	-	-	1,170,686
Interest	35	-	-	35
Recycling	12,276	-	-	12,276
Other income	44,668	-	-	44,668
Total Other Revenue	1,227,665	-	-	1,227,665
Subtotal	2,780,575	1,055,185	52,603,980	56,439,740
Net assets released from restrictions				
Restrictions satisfied by use	55,070,258	(703,031)	(54,367,227)	-
TOTAL REVENUES	57,850,833	352,154	(1,763,247)	56,439,740
EXPENSES				
Program services	56,862,528	-	-	56,862,528
Supporting services	386,122	-	-	386,122
Fundraising	269,969	-	-	269,969
Total Expenses	57,518,619	-	-	57,518,619
Total Operating Income (Loss)	332,214	352,154	(1,763,247)	(1,078,879)
NON-OPERATING INCOME (LOSS)				
Gain (loss) on sale of assets	25,800	-	-	25,800
Change in net assets	358,014	352,154	(1,763,247)	(1,053,079)
Net Assets, beginning of year	317,994	891,974	2,346,183	3,556,151
Net Assets, end of year	\$ 676,008	\$ 1,244,128	\$ 582,936	\$ 2,503,072

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, 2016

	<u>Programs Services</u>	<u>Support Services</u>		
	Food Distribution	General and Admin.	Fund Raising	Total
Salaries and wages	\$ 951,429	\$ 142,714	\$ 95,143	\$ 1,189,286
Payroll taxes	68,318	10,248	6,832	85,397
Employee benefits	157,724	23,659	15,772	197,155
Consulting and staffing	121,375	18,206	12,138	151,719
Professional fees	87,776	11,970	18,000	117,746
Supplies	64,984	8,862	61,447	135,293
Telephone	21,639	2,951	-	24,590
Transportation	100,217	13,666	-	113,883
Postage	2,529	345	16,492	19,366
Printing	440	-	28,084	28,524
Occupancy	415,852	58,709	14,677	489,238
Insurance	24,017	3,275	-	27,292
Interest	-	5,680	-	5,680
Equipment rental and maintenance	179,717	26,214	-	205,931
Travel and conference	23,688	3,230	-	26,918
Dues and subscriptions	-	26,274	-	26,274
Food purchases	56,109	-	-	56,109
Miscellaneous	39,208	5,535	1,384	46,127
Total Expenses Before Depreciation and In-kind	2,315,021	361,538	269,969	2,946,528
In-kind food donations	54,367,227	-	-	54,367,227
Depreciation	180,280	24,584	-	204,864
1 Total Functional Expenses	\$ 56,862,528	\$ 386,122	\$ 269,969	\$ 57,518,619

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,053,079)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>	
Depreciation expense	204,864
Gain on disposition of assets	(25,800)
(Increase) decrease in assets:	
Inventory	1,763,247
Accounts receivable	(73,971)
Grants receivable	(227,442)
Prepaid expenses	(5,522)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	64,171
Deferred revenue	(12,357)
Customer deposits	(11,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 623,111

CASH FLOWS FROM INVESTING ACTIVITIES

Payment for CD	(35)
Proceeds from line of credit	80,000
Proceeds from sale of fixed assets	25,800
Payments for purchase of fixed assets	(572,719)
NET CASH USED FOR INVESTING ACTIVITIES	(466,954)

NET INCREASE IN CASH	156,157
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CASH AT BEGINNING OF YEAR	539,885
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CASH AT END OF YEAR	\$ 696,042
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the years for:

Interest	\$ 5,680
Income tax	\$ -

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

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

1. ORGANIZATION

Feeding America Riverside/ San Bernardino, (Organization), 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.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

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, 2016.

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, 2016, the board has restricted a net balance of \$37,500 for operating reserves.

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, 2016, 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.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

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 \$65,172 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

Critical need	\$ 830,377
Program	96,898
Fuel	1,757
Development	25,000
Total current use restrictions	<u>954,032</u>

Long term use restriction

Building fund	<u>290,096</u>
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Total use restrictions	<u>\$ 1,244,128</u>
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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, 2016. 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	\$ 26,431
Donated	365,662
USDA commodities	190,843
Total Food Inventory	<u>\$ 582,936</u>

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

5. PLANT AND EQUIPMENT

Property and equipment consist of the following:

	Beginning Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2016</u>
Transportation and warehouse equipment	\$ 1,618,183	623,005	59,037	\$ 2,182,151
Office Equipment	86,366	17,503	-	103,869
Leasehold improvements	44,331	-	-	44,331
Total Fixed Assets	1,748,880	640,508	59,037	2,330,351
Accumulated Depreciation	1,342,680	204,864	59,037	1,488,507
Net Book Value	406,200	435,644	-	841,844
Construction in progress	67,789		67,789	-
Net Property and Equipment	\$ 473,989	\$ 435,644	\$ 67,789	\$ 841,844

Depreciation expense for the fiscal year ended June 30, 2016, totaled \$204,864.

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, 2016, in the amount of \$72,540.

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, 2016, was \$378,509.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2016

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:

2017	\$	326,765
2018		-
2019		-
2020		-
2021		-
	\$	<u>326,765</u>

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, 2016, Feeding America Riverside/ San Bernardino had approximately \$560,191 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, 2016, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 12, 2017, 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, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through I.D. Number	Federal Expenditures
U.S. Department of Agriculture			
California Department of Social Services			
Emergency Food Assistance Program - Administration	10.568	15-MOU-00133	300,931
Emergency Food Assistance Program - Food Commodities	10.569	15-MOU-00133	4,508,151
Total Food Distribution Cluster			<u>4,809,082</u>
 Riverside County Office on Aging			
Supplemental Nutrition Assistance Program	10.551		<u>10,087</u>
 Total			<u>\$ 4,819,169</u>

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, 2016. 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). 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

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Feeding America Riverside/ San Bernardino has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Non-monetary assistance is reported at the fair value of the commodities received and distributed. At June 30, 2016, Feeding America Riverside/ San Bernardino had food commodities totaling \$190,843 in inventory.

See Independent Auditors' Report

**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, 2016, 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 12, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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 12, 2017**

**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 REQUIRED BY THE UNIFORM GUIDANCE**

**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 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, 2016. 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 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). Those standards and the Uniform Guidance 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 Each 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, 2016.

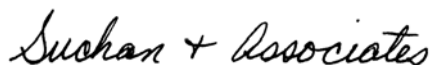
Report on Internal Control Over Compliance

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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Suchan & Associates
An Accountancy Corporation

Ontario, California
January 12, 2017

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of **Feeding America Riverside/ San Bernardino**.
2. There were no significant deficiencies or material weaknesses disclosed during the audit of the financial statements.
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 2 CFR section 200.516(a) relative to the major federal award programs for Feeding America Riverside/ San Bernardino 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 \$750,000.
9. **Feeding America Riverside/ San Bernardino** was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SUMMARY OF PRIOR YEAR FINDINGS

June 30, 2016

FINANCIAL STATEMENT AUDIT

2015-001 – Cost Centers

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.

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

Current Status: Resolved. Cost centers were implemented in January 2016. Due to the number of grants and expenditures, both manual reports and grant activity reports from the accounting system are being utilized until the grant activity reports fully phase out the manual reports.

2015-002 – Financial Close Process

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.

Current Status: Resolved. A formal financial close process was implemented after a CFO was hired in house during the current fiscal year.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal award findings for the year ended June 30, 2015.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO
SCHEDULE OF FOOD RECEIVED AND DISTRIBUTED

June 30, 2016

	<u>Pounds</u>	<u>Dollars</u>
Beginning inventory	1,632,743	\$ 2,346,183
Donated food received	28,180,385	48,064,027
USDA commodities received	6,165,931	4,508,151
Purchased food	<u>14,400</u>	<u>31,802</u>
Total food available	35,993,459	54,950,163
Less food distributed and adjustments	<u>35,468,942</u>	<u>54,367,227</u>
Ending Inventory	<u>524,517</u>	<u>\$ 582,936</u>

See Independent Auditors' Report