THE ALBERTSONS COMPANIES FOUNDATION

(FORMERLY THE SAFEWAY FOUNDATION)

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

TOGETHER WITH

REPORT OF INDEPENDENT AUDITORS

MORRIS DAVIS CHAN & TAN LLP
Certified Public Accountants

THE ALBERTSONS COMPANIES FOUNDATION
(FORMERLY THE SAFEWAY FOUNDATION)

TABLE OF CONTENTS

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
The Albertsons Companies Foundation
(Formerly The Safeway Foundation)

Report on the Financial Statements

We have audited the accompanying financial statements of **The Albertsons Companies Foundation** (formerly The Safeway Foundation) (the Foundation) (a nonprofit California corporation), which comprise of the statements of financial position as of December 31, 2015 and 2014, the related statements of activities and cash flows for the years 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the Foundation'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 Foundation'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 the Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Morris Davis Chan & Tan LLP

Oakland, California
March 21, 2016

THE ALBERTSONS COMPANIES FOUNDATION
(FORMERLY THE SAFEWAY FOUNDATION)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
Assets:		
Cash and cash equivalents (Note 3)	$ 8,737,245	$ 6,569,669
Investments, at fair value (Notes 4 and 5)	14,821,109	14,997,525
Contributions receivable (Note 6)	1,764,224	301,452
Contributions receivable - other (Note 7)	1,046,670	-
Due from Safeway, Inc.	-	44,572
Prepaid expenses (Note 8)	280,000	357,492
Fixed assets, net (Note 9)	945,873	1,097,679
Total Assets	$ 27,595,121	$ 23,368,389
Liabilities and Net Assets:		
Accounts payable	$ 2,900,478	$ 1,000,569
Accounts payable - unclaimed drafts (Note 10)	251,620	13,845
Donations payable	1,338,898	2,636,892
Other accrued expenses	2,370	-
Total Liabilities	4,493,366	3,651,306
Net Assets:		
Unrestricted (Note 2)	18,231,385	18,433,681
Temporarily restricted (Note 2)	4,870,370	1,283,402
Total Net Assets	23,101,755	19,717,083
Total Liabilities and Net Assets	$ 27,595,121	$ 23,368,389

See accompanying notes to financial statements.

THE ALBERTSONS COMPANIES FOUNDATION
(FORMERLY THE SAFEWAY FOUNDATION)
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support:						
Donations (Note 11)	$ 3,974,888	$ 18,798,022	$ 22,772,910	$ 2,435,504	$ 16,460,272	$ 18,895,776
Other donations (Note 12)	1,087,427	-	1,087,427	766,131	-	766,131
Net depreciation in fair value of investments	(807,845)	-	(807,845)	(72,804)	-	(72,804)
Dividends and interest income	661,979	-	661,979	596,782	-	596,782
Assets released from restrictions	15,211,054	(15,211,054)	-	17,326,402	(17,326,402)	-
Total Revenue and Support	20,127,503	3,586,968	23,714,471	21,052,015	(866,130)	20,185,885
Expenses:						
Grants	18,551,928	-	18,551,928	20,412,826	-	20,412,826
Fund-raising (Note 13)	400,023	-	400,023	347,865	265,801	613,666
Administrative	1,348,101	-	1,348,101	910,702	-	910,702
Brokerage Fees	29,747	-	29,747	29,514	-	29,514
Total Expenses	20,329,799	-	20,329,799	21,700,907	265,801	21,966,708
Change in Net Assets	(202,296)	3,586,968	3,384,672	(648,892)	(1,131,931)	(1,780,823)
Net Assets:						
Beginning of year	18,433,681	1,283,402	19,717,083	19,082,573	2,415,333	21,497,906
End of year	$ 18,231,385	$ 4,870,370	$ 23,101,755	$ 18,433,681	$ 1,283,402	$ 19,717,083

See accompanying notes to financial statements.

THE ALBERTSONS COMPANIES FOUNDATION
(FORMERLY THE SAFEWAY FOUNDATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	$ 3,384,672	$ (1,780,823)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	151,806	116,775
Change in operating assets and liabilities:		
Contributions receivable	(1,462,772)	1,200,262
Contributions receivable - other	(1,046,670)	6,315
Due from Safeway, Inc.	44,572	(44,572)
Prepaid expenses	77,492	(357,492)
Accounts payable	1,899,909	(789,328)
Accounts payable - unclaimed drafts	237,775	-
Donations payable	(1,297,994)	(3,130,963)
Other accrued expenses	2,370	-
Net Cash Provided by (Used in) Operating Activities	1,991,160	(4,779,826)
Cash Flows from Investing Activities		
Sale of investments	176,416	2,506,301
Acquisition of fixed assets	-	(1,214,454)
Net Cash Provided by Investing Activities	176,416	1,291,847
Net increase (decrease) in cash and cash equivalents	2,167,576	(3,487,979)
Cash and Cash Equivalents:		
Beginning of year	6,569,669	10,057,648
End of year	$ 8,737,245	$ 6,569,669

See accompanying notes to financial statements.

NOTE 1 - NATURE OF ACTIVITIES

The Safeway Foundation, now known as the Albertsons Companies Foundation (a nonprofit California corporation) was incorporated on May 31, 2001. Operational activities of the Safeway Foundation began shortly thereafter. The purpose of the Safeway Foundation was to fulfill Safeway's commitment to responsible corporate citizenship by helping to improve the quality of life in communities in which employees live and work. The work of the Safeway Foundation was accomplished through grant making, mobilization of employee volunteers, and collaborative efforts with other funders and community leaders.

In January 2015, Safeway, Inc. merged with AB Acquisition LLC—the parent company to the Albertsons chain of supermarkets. In September 2015, the Safeway Foundation was formally renamed The Albertsons Companies Foundation (Foundation). The Albertsons Companies Foundation continues to uphold the same values and purpose of the former Safeway Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

INVESTMENT VALUATION AND INCOME RECOGNITION

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Net appreciation (depreciation) includes the fund's gains and losses on investments bought and sold as well as held during the year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION

These financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. Temporarily restricted net assets represent contributions from vendors and customers only to be used for specific grant purposes.

Permanently restricted net assets – Net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation has no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

ESTIMATES

The preparation of financial statements in accordance with GAAP requires the Foundation management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the financial statements have been reclassified to conform to current year presentation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUBSEQUENT EVENTS

We have evaluated subsequent transactions and events for potential recognition through March 21, 2016, the date the financial statements were available to be issued. The Foundation management determined that there are no subsequent transactions and events that require disclosure to or adjustment in the financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes all cash in banks, credit unions, and highly liquid investments with maturity dates of less than three months from date of purchase.

At various times during the year, the Foundation's cash and cash equivalents balance exceeded the limits insured by the Federal Deposit Insurance Corporation or by the National Credit Union Administration. As of December 31, 2015 and 2014, the uninsured portion of cash and cash equivalents was $8,487,245 and $6,319,669, respectively.

NOTE 4 - INVESTMENTS

The Foundation invested in mutual funds. Below are the funds in the portfolio with balances greater than 5% of net assets as of December 31, 2015 and 2014:

	2015	2014
PIMCO Total Return Institutional Shares	$ 5,418,104	$ 5,946,415
DWS Short Duration Fund Institutional Shares	3,673,833	3,672,404

NOTE 5 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements,* establishes a framework for measuring fair value and requires disclosures about those fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

Investments in mutual funds are valued at the net asset value of shares held by the Foundation at year end.

Cash and cash equivalents, contributions receivable, contributions receivable-other, prepaid expenses, accounts payable, and donations payable are reported at their carrying amounts which approximate fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2015 and 2014:

	Investment at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Money Market Fund	40,936	$ -	$ -	$ 40,936
Taxable Bond Funds	9,562,276	-	-	9,562,276
Treasury Inflation Protected Securities	221,200	-	-	221,200
International Bonds	295,413	-	-	295,413
U.S. Equities	1,945,261	-	-	1,945,261
International Equities	833,098	-	-	833,098
Growth Real Estate	444,435	-	-	444,435
Small Company	935,413	-	-	935,413
Aggressive International	164,348	-	-	164,348
Energy/Natural Resources	174,488	-	-	174,488
Commodities	204,241	-	-	204,241
Total investments, at fair value	$14,821,109	$ -	$ -	$14,821,109

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

	Investment at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Money Market Fund	$ 53,295	$ -	$ -	$ 53,295
Taxable Bond Funds	9,517,515	-	-	9,517,515
Treasury Inflation Protected Securities	225,009	-	-	225,009
International Bonds	302,939	-	-	302,939
U.S. Equities	2,002,188	-	-	2,002,188
International Equities	884,243	-	-	884,243
Growth Real Estate	462,882	-	-	462,882
Small Company	983,347	-	-	983,347
Aggressive International	173,536	-	-	173,536
Energy/Natural Resources	205,093	-	-	205,093
Commodities	187,478	-	-	187,478
Total investments, at fair value	$14,997,525	$ -	$ -	$14,997,525

NOTE 6 - CONTRIBUTIONS RECEIVABLE

Contributions receivable represents pledges from Safeway employees, customers and vendors for the Foundation's causes like Prostate Cancer, Disabilities, Muscular Dystrophy, Breast Cancer and Wounded Warrior. As of December 31, 2015 and 2014, contribution receivable amounted to $1,764,224 and $301,452, respectively.

NOTE 7 - CONTRIBUTIONS RECEIVABLE - OTHER

Contributions Receivable – Other includes only the “cash in transit” transactions between The Foundation and Safeway Inc. or SuperValu. SuperValu is the accounting firm that handles the for-profit accounting for the Albertsons stores/banners. This relationship will only be pertinent until all Albertsons banners are transferred onto Safeway Inc.’s in-house systems. The account holds the guaranteed payments of customer contributions that are collected in each store for every campaign that has already been transferred from Safeway Inc. or SuperValu. However, due to a minimal timing difference, these transactions cannot be considered Cash or Cash Equivalents because they have not been recorded on the Foundation’s bank statement, and therefore are not part of the cash balance.

NOTE 8 - PREPAID EXPENSES

Prepaid expenses amounted to $280,000 and $ 357,492 as of December 31, 2015 and 2014, respectively. Prepaid expenses consist of deposits for an event that had been postponed from 2014 and 2015 to the following year.

NOTE 9 - FIXED ASSETS

Acquisitions in excess of $500 with a useful life of more than 3 years are carried at cost. In the case of disposals, the assets and related accumulated depreciation are removed from the accounts and the net amount less proceeds from disposal is charged to expense or credited to income. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets for financial reporting purposes. For federal income tax purposes, depreciation is computed using the 7-year modified accelerated cost recovery system.

In 2014, the Foundation purchased display cases for the stores totaling $1,214,454 to display materials related to the Foundation campaigns.

The fixed assets, estimated useful lives (8 years), cost, and accumulated depreciation are as follows:

	2015	2014
Fixed assets	$1,214,454	$1,214,454
Accumulated depreciation	268,581	116,775
Net	$ 945,873	$1,097,679

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to $151,806 and $116,775, respectively.

Fixed assets held and used by the Foundation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. As of December 31, 2015, there was no impairment of fixed assets.

NOTE 10 - ACCOUNTS PAYABLE – UNCLAIMED DRAFTS

Accounts payable – unclaimed drafts include only the "uncashed" and "unresolved" vendor checks that have fallen into Abandoned Property. These checks are donations made to various charities, and for some reason those charities have not cashed their checks. It is up to the Accounts Payable clerk to research these checks. If no resolution (i.e. re-issue) can be made, the checks will be escheated to the state of the appropriate charity. No reversals back into cash can be made for any donation due to the Foundation already receiving the tax benefit for said donation. As of December 31, 2015 and 2014, the balance in Abandoned Property was $251,620 and $13,842, respectively.

NOTE 11 - DONATIONS

The Foundation received cash donations from the following sources:

	2015	2014
Donations from employees	$ 1,225,218	$ 1,755,234
Donations from vendors and customers	18,798,022	16,460,272
Special events and activities	2,749,670	680,270
	$ 22,772,910	$ 18,895,776

NOTE 12 - OTHER DONATIONS

The Foundation receives a significant amount of in-kind donations such as services and materials.

Employees of Albertsons Companies perform certain public relations, accounting functions and other services for the Foundation. For the years ended December 31, 2015 and 2014, such services amounted to $1,087,127 and $766,131, respectively.

NOTE 13 - FUND-RAISING EXPENSES

Fund-raising expenses is comprised of the following:

	2015	2014
Direct expenses	$ -	$ 28,928
Facility rental	50,370	(57,576)
Printing	281,817	548,591
Supplies	5,889	3,056
Contract labor	61,947	90,667
	$ 400,023	$ 613,666

NOTE 14 - INCOME TAXES

The Foundation has qualified as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and has been classified as a publicly supported organization within the meaning of Section 509(a)(i) of the Code.

GAAP requires the Foundation management to evaluate uncertain tax positions taken by the Foundation. The financial statement effects of a tax position are recognized when the position is more likely than not to be sustained upon examination by the Internal Revenue Service. The tax positions taken by the Foundation have been analyzed and, as of December 31, 2015, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation management believes it is no longer subject to income tax examinations for years prior to 2012.

NOTE 15 - CONCENTRATIONS OF RISK

The Foundation maintains a portion of its cash and cash equivalents in bank deposit accounts that, at times, may exceed the federally insured limits. No losses have been experienced related to such accounts. The Foundation believes it places its cash and cash equivalents with quality financial institutions and is not exposed to any significant concentration of credit risk.

The Foundation's investments are subject to concentrations of credit risk. Investments are made by investment managers engaged by the Foundation, and the investments are monitored by management. Although the fair value of investments is subject to fluctuations, management believes the investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

There was no significant donor concentration during the years ended December 31, 2015 and 2014.