

Audited Financial Statements



June 30, 2018

Quigley & Miron

Foodbank of Southern California
Audited Financial Statements
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June 30, 2018

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Independent Auditor's Report

Board of Directors
Foodbank of Southern California
Long Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of Foodbank of Southern California, a nonprofit organization, which comprise the statement of financial position as of June 30, 2018, 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, including 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.

Auditor's 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. 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 audit 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 Foodbank of Southern California as of June 30, 2018 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.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
October 1, 2018

Foodbank of Southern California
Statement of Financial Position
June 30, 2018

Assets

Current Assets

| | |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 32,433 |
| Grants receivable—Note C | 312,000 |
| Food inventory—Note D | 2,388,280 |

| | |
|-----------------------------|------------------|
| Total Current Assets | 2,732,713 |
|-----------------------------|------------------|

Non-Current Assets

| | |
|------------------------------------|-----------|
| Property and equipment, net—Note E | 1,710,786 |
| Other assets | 980 |

| | |
|---------------------------------|------------------|
| Total Non-Current Assets | 1,711,766 |
|---------------------------------|------------------|

| | |
|---------------------|----------------------------|
| Total Assets | <u>\$ 4,444,479</u> |
|---------------------|----------------------------|

Liabilities and Net Assets

Current Liabilities

| | |
|--|-----------|
| Accounts payable and accrued liabilities | \$ 29,786 |
| Deferred revenue | 357 |

| | |
|----------------------------------|---------------|
| Total Current Liabilities | 30,143 |
|----------------------------------|---------------|

Commitments and Contingencies—Note F

Net Assets

| | |
|-------------------------------|-----------|
| Unrestricted | 4,261,336 |
| Temporarily restricted—Note G | 97,000 |
| Permanently restricted—Note H | 56,000 |

| | |
|-------------------------|------------------|
| Total Net Assets | 4,414,336 |
|-------------------------|------------------|

| | |
|---|----------------------------|
| Total Liabilities and Net Assets | <u>\$ 4,444,479</u> |
|---|----------------------------|

See notes to financial statements.

Foodbank of Southern California
Statement of Activities
Year Ended June 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Public Support and Revenue | | | | |
| Contributions | \$ 505,033 | \$ 97,000 | \$ | \$ 602,033 |
| Food contributions | 68,984,216 | | | 68,984,216 |
| Agency donations | 21,607 | | | 21,607 |
| Temporary Emergency Food Assistance Program (TEFAP) | 1,343,870 | | | 1,343,870 |
| Federal Emergency Management Agency (FEMA) | 65,874 | | | 65,874 |
| Interest income | 1 | | | 1 |
| Total Public Support and Revenue | 70,920,601 | 97,000 | | 71,017,601 |
| Expenses | | | | |
| Program services | | | | |
| Food distribution | 68,646,270 | | | 68,646,270 |
| Agency assistance | 232,097 | | | 232,097 |
| TEFAP | 1,337,129 | | | 1,337,129 |
| Brown Bag | 116,711 | | | 116,711 |
| FEMA | 66,097 | | | 66,097 |
| Total Program Services | 70,398,304 | | | 70,398,304 |
| Supporting services | | | | |
| Management and general | 108,059 | | | 108,059 |
| Fundraising | 118,914 | | | 118,914 |
| Total Supporting Services | 226,973 | | | 226,973 |
| Total Expenses | 70,625,277 | | | 70,625,277 |
| Change in Net Assets | 295,324 | 97,000 | | 392,324 |
| Net Assets at Beginning of Year | 3,966,012 | | 56,000 | 4,022,012 |
| Net Assets at End of Year | \$ 4,261,336 | \$ 97,000 | \$ 56,000 | \$ 4,414,336 |

See notes to financial statements.

Foodbank of Southern California
Statement of Functional Expenses
Year Ended June 30, 2018

| | Program Services | | | | | Total Program Services | Supporting Services | | | Total |
|---------------------------------|----------------------|----------------------|---------------------|-------------------|------------------|------------------------------|------------------------------|-------------------|---------------------------------|----------------------|
| | Food Distribution | Agency Assistance | TEFAP | Brown Bag | FEMA | | Management and General | Fundraising | Total Supporting Services | |
| Salaries | \$ | \$ 94,070 | \$ 252,147 | \$ 54,794 | \$ | \$ 401,011 | \$ 48,490 | \$ 35,398 | \$ 83,888 | \$ 484,899 |
| Payroll taxes | | 7,924 | 21,240 | 4,616 | | 33,780 | 4,085 | 2,982 | 7,067 | 40,847 |
| Total Personnel Expenses | | 101,994 | 273,387 | 59,410 | | 434,791 | 52,575 | 38,380 | 90,955 | 525,746 |
| Board meetings and conferences | | | | | | | 8,936 | | 8,936 | 8,936 |
| Depreciation | | 13,089 | 35,084 | 7,624 | | 55,797 | 5,947 | 4,925 | 10,872 | 66,669 |
| Development | | 1,996 | 5,349 | 1,162 | | 8,507 | 1,029 | 751 | 1,780 | 10,287 |
| Equipment rental | | 31 | 82 | 18 | | 131 | 16 | 12 | 28 | 159 |
| Food distribution | 68,646,270 | | 801,226 | | 66,097 | 69,513,593 | | | | 69,513,593 |
| Insurance | | 8,743 | 23,434 | 5,092 | | 37,269 | 4,507 | 3,290 | 7,797 | 45,066 |
| Interest | | | | | | | | | | |
| Miscellaneous | | 2,044 | 5,480 | 1,191 | | 8,715 | 6,585 | 769 | 7,354 | 16,069 |
| Occupancy | | 8,075 | 21,645 | 4,704 | | 34,424 | 4,162 | 3,038 | 7,200 | 41,624 |
| Office supplies | | 5,825 | 15,614 | 3,393 | | 24,832 | 3,002 | 2,192 | 5,194 | 30,026 |
| Packing and supplies | | 26,818 | 26,818 | 5,959 | | 59,595 | | | | 59,595 |
| Postage | | 542 | 1,452 | 316 | | 2,310 | 279 | 1,742 | 2,021 | 4,331 |
| Printing | | 1,253 | 3,358 | 730 | | 5,341 | 646 | 471 | 1,117 | 6,458 |
| Professional services | | 17,904 | 47,991 | 10,429 | | 76,324 | 10,428 | 56,083 | 66,511 | 142,835 |
| Repairs and maintenance | | 9,684 | 25,957 | 5,641 | | 41,282 | 4,993 | 3,644 | 8,637 | 49,919 |
| Telephone | | 3,232 | 8,663 | 1,883 | | 13,778 | 1,666 | 1,216 | 2,882 | 16,660 |
| Temporary help | | 2,851 | 7,642 | 1,661 | | 12,154 | 1,469 | 1,073 | 2,542 | 14,696 |
| Transportation | | 24,487 | 24,487 | 5,442 | | 54,416 | | | | 54,416 |
| Travel | | 3,529 | 9,460 | 2,056 | | 15,045 | 1,819 | 1,328 | 3,147 | 18,192 |
| Total Expenses | \$ 68,646,270 | \$ 232,097 | \$ 1,337,129 | \$ 116,711 | \$ 66,097 | \$ 70,398,304 | \$ 108,059 | \$ 118,914 | \$ 226,973 | \$ 70,625,277 |

See notes to financial statements

Foodbank of Southern California
Statement of Cash Flows
Year Ended June 30, 2018

Cash Flows from Operating Activities

| | |
|--|-----------------|
| Change in net assets | \$ 392,324 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation expense | 66,669 |
| Changes in operating assets and liabilities: | |
| Grants receivable | (165,630) |
| Food inventory | (337,946) |
| Other assets | (123) |
| Accounts payable and accrued liabilities | (3,794) |
| Deferred revenue | (7) |
| Net Cash Used in Operating Activities | (48,507) |

Cash Flows from Investing Activities

| | |
|--|-----------------|
| Purchase of property and equipment | (13,148) |
| Net Cash Used in Investing Activities | (13,148) |

Decrease in Cash and Cash Equivalents (61,655)

**Cash and Cash Equivalents
at Beginning of Year**

94,088

**Cash and Cash Equivalents
at End of Year**

\$ 32,433

Supplementary Disclosures

| | |
|-------------------|----|
| Income taxes paid | \$ |
| Interest paid | \$ |

See notes to financial statements.

Foodbank of Southern California
Notes to Financial Statements
June 30, 2018

Note A—Summary of Significant Accounting Policies

Organization—Foodbank of Southern California (Foodbank) was formed to feed the hungry by soliciting surplus food and distributing these donations to various nonprofit agencies, and to educate the public about the nature of and solutions to the problem of hunger.

Financial Statement Presentation—Foodbank recognizes contributions as revenue in the period committed. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of Foodbank 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 Foodbank.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of Foodbank and/or 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 that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of Foodbank's programs and operations, or for restricted purposes, as directed by the donor.

It is the policy of Foodbank to record restricted support as unrestricted support where the donor-restrictions have been satisfied within the reporting period.

Income Taxes—Foodbank is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, Foodbank has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2018. Generally, Foodbank's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash Equivalents—Foodbank considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventory—Inventory consists of food (canned, dry, frozen, fruits and vegetables) and is recorded at cost when purchased or at estimated fair market value when donated.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note A—Summary of Significant Accounting Policies—Continued

Property and Equipment—Land, building, furniture and equipment are stated at cost when purchased, or at estimated fair market value at the date of bequest or gift. It is Foodbank's policy to expense items under \$500. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, as follows:

| | |
|---|-----------|
| Building | 40 years |
| Transportation equipment | 5 years |
| Furniture, fixtures and other equipment | 3-5 years |

Concentrations of Credit Risk—Financial instruments which potentially subject Foodbank to concentrations of credit risk consist of cash and cash equivalents, grants receivable, and accounts receivable. Foodbank places its cash and cash equivalents with a high credit quality financial institution where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. In the normal course of operations, such cash balances exceed the FDIC insurance limits. Grants and accounts receivable are due from individuals, corporations, and a governmental body well-known to Foodbank, with favorable past payment histories. Foodbank's management has assessed the credit risk associated with these receivables and has determined that the allowance for doubtful accounts at June 30, 2018 is adequate to cover future potential losses related to the receivables.

Contributions—Contributions from the general public are recognized as revenue when the unconditional promise to give is made. Contributions in-kind are valued at their estimated fair market value at the date of receipt, if determinable. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Revenue Recognition—Revenues from grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable.

Donated Materials and Services—Foodbank receives donations of food which it distributes through various nonprofit agencies within the County of Los Angeles. Donations of food are recognized in the accompanying financial statements at fair market value at the date of donation. No amounts are 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 program services and fundraising activities.

Functional Expenses—The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted, based on actual labor hours incurred with respect to the various programs and support services. Functional expenses have been allocated between program services, management and general, and fundraising expenses, based on an analysis of personnel time utilized for the related activities.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note A—Summary of Significant Accounting Policies—Continued

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

Recently Adopted Accounting Principle—In July 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-11, Simplifying the Measurement of Inventory. ASU 2015-11 simplifies the subsequent measurement of inventory by requiring inventory to be measured at the lower of cost or net realizable value. ASU 2015-11 applies only to inventories for which cost is determined by methods other than last-in first-out (LIFO) and the retail inventory method. Foodbank has adopted ASU No. 2015-11 for the year ended June 30, 2018, however, since Foodbank utilizes the average cost method for purchased inventory and fair market value for donated inventory, there is no material impact on the Foodbank's financial statements.

Note B—Recent Accounting Pronouncement

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for Foodbank for 2019. Early adoption is permitted. Foodbank is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Note C—Receivables

Grants receivable at June 30, 2018 consists of receivables from government agencies and foundations. Accounts receivable at June 30, 2018 consists of amounts due from agencies and organizations for food distributed to them.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note D—Food Inventory

Food inventory activity during the year ended June 30, 2018 was as follows:

| | <u>Pounds</u> | <u>Dollar Value</u> |
|----------------------------------|-------------------------|----------------------------|
| Beginning food inventory | 1,192,055 | \$ 2,050,334 |
| Food received during the year | 40,107,102 | 68,984,216 |
| Food distributed during the year | (39,910,622) | (68,646,270) |
| Ending Food Inventory | <u>1,388,535</u> | <u>\$ 2,388,280</u> |

Management has estimated the value of donated food at \$1.72 per pound during the year ended June 30, 2018.

Food donated to Foodbank is capitalized as inventory and shown on the accompanying financial statements as an unrestricted contribution. Upon distribution, the food inventory is recorded as a decrease to unrestricted net assets.

Note E—Property and Equipment, Net

Net property and equipment at June 30, 2018 consists of the following:

| | |
|---|----------------------------|
| Building and improvements | \$ 1,611,418 |
| Land | 606,204 |
| Transportation equipment | 273,546 |
| Furniture, fixtures and other equipment | 106,404 |
| | <u>2,597,572</u> |
| Less accumulated depreciation | (886,786) |
| Net | <u>\$ 1,710,786</u> |

Note F—Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board of Directors (Board) deems the contingency remote, since by accepting a grant and its terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

Note G—Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 consist of donor restricted funds for the purpose of purchasing a refrigerated truck.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note H—Endowment Fund

Foodbank’s endowment consists of one donor-restricted endowment gift (Fund). Foodbank’s Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Foodbank classifies as permanently restricted net assets the following: the corpus of the endowment; the original gift donated to the permanent endowment; the original value of subsequent gifts to the permanent endowment; and the accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by Foodbank in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Foodbank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

Activity in the endowment-related accounts during the year ended June 30, 2018 follows:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|-----------------------------------|-----------------------------------|-------------------------|
| Endowment net assets at July 1, 2017 | \$ | \$ 56,000 | \$ 56,000 |
| Interest income | 1 | | 1 |
| Appropriation of endowment assets for expenditure | (1) | | (1) |
| Endowment Net Assets at June 30, 2018 | <u>\$</u> | <u>\$ 56,000</u> | <u>\$ 56,000</u> |

The Fund is invested in cash equivalents to limit market risk; all income earned by the Fund is appropriated for food purchases on an annual basis.

Note I—Related Party Transactions

During the year ended June 30, 2018, Foodbank purchased \$7,760 worth of food products from a vendor whose owner is a member of the board of directors. The purchases were at prices similar to industry standards.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note J—Subsequent Events

Subsequent events were evaluated through October 1, 2018, which is the date the financial statements were available to be issued, and it was concluded that no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.