

**Audited Financial Statements**



**June 30, 2019**

**Quigley & Miron**

**Foodbank of Southern California**  
**Audited Financial Statements**  
**Table of Contents**  
**June 30, 2019**

	<u>Page Number</u>
<b>Independent Auditor's Report</b> .....	1-2
<b>Audited Financial Statements</b>	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7-13

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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, 2019, 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, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Los Angeles, California  
November 22, 2019

**Foodbank of Southern California**  
**Statement of Financial Position**  
**June 30, 2019**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 512,844
Grants receivable—Note C	163,263
Food inventory—Note D	617,752

**Total Current Assets** 1,293,859

**Non-Current Assets**

Property and equipment, net—Note E	1,794,402
Other assets	1,238

**Total Non-Current Assets** 1,795,640

**Total Assets** \$ 3,089,499

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable and accrued liabilities	\$ 19,850
Vehicle loans payable, current portion—Note F	20,472
Deferred revenue	350

**Total Current Liabilities** 40,672

**Vehicle Loans Payable—Note F**

105,660

**Total Liabilities** 146,332

**Commitments and Contingencies—Note G**

**Net Assets**

Without donor restrictions	2,843,917
With donor restrictions	99,250

**Total Net Assets** 2,943,167

**Total Liabilities and Net Assets** \$ 3,089,499

See notes to financial statements.

**Foodbank of Southern California**  
**Statement of Activities**  
**Year Ended June 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Activities</b>			
<b>Public Support and Revenue</b>			
Contributions	\$ 350,730	\$ 62,000	\$ 412,730
Food contributions	59,599,054		59,599,054
Agency donations	28,897		28,897
Temporary Emergency Food Assistance Program (TEFAP)	935,220		935,220
Federal Emergency Management Agency (FEMA)	58,223		58,223
CalFood (state grant)	728,059		728,059
Interest income	1		1
Net assets released from restrictions	115,750	(115,750)	
<b>Total Public Support and Revenue</b>	<b>61,815,934</b>	<b>(53,750)</b>	<b>61,762,184</b>
<b>Expenses</b>			
Program services			
Food distribution	61,369,582		61,369,582
Agency assistance	202,760		202,760
TEFAP	493,060		493,060
Brown Bag	107,299		107,299
FEMA	823,776		823,776
<b>Total Program Services</b>	<b>62,996,477</b>		<b>62,996,477</b>
Supporting services			
Management and general	140,022		140,022
Fundraising	114,754		114,754
<b>Total Supporting Services</b>	<b>254,776</b>		<b>254,776</b>
<b>Total Expenses</b>	<b>63,251,253</b>		<b>63,251,253</b>
<b>Change in Net Assets from Operations</b>	<b>(1,435,319)</b>	<b>(53,750)</b>	<b>(1,489,069)</b>
<b>Nonoperating Activities</b>			
Gain on disposal of property and equipment	17,900		17,900
<b>Total Nonoperating Activities</b>	<b>17,900</b>		<b>17,900</b>
<b>Change in Net Assets</b>	<b>(1,417,419)</b>	<b>(53,750)</b>	<b>(1,471,169)</b>
<b>Net Assets at Beginning of Year</b>	<b>4,261,336</b>	<b>153,000</b>	<b>4,414,336</b>
<b>Net Assets at End of Year</b>	<b>\$ 2,843,917</b>	<b>\$ 99,250</b>	<b>\$ 2,943,167</b>

See notes to financial statements.

Foodbank of Southern California  
Statement of Functional Expenses  
Year Ended June 30, 2019

	Program Services					Supporting Services				
	Food Distribution	Agency Assistance	TEFAP	Brown Bag	FEMA	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$	\$ 88,098	\$ 236,139	\$ 51,315	\$	\$ 375,552	\$ 45,411	\$ 33,150	\$ 78,561	\$ 454,113
Payroll taxes		7,101	19,034	4,136		30,271	3,660	2,672	6,332	36,603
<b>Total Personnel Expenses</b>		<b>95,199</b>	<b>255,173</b>	<b>55,451</b>		<b>405,823</b>	<b>49,071</b>	<b>35,822</b>	<b>84,893</b>	<b>490,716</b>
Board meetings and conferences							25,496		25,496	25,496
Depreciation		19,091	48,244	10,484		77,819	9,278	6,773	16,051	93,870
Development		1,947	5,605	1,218		8,770	1,078	787	1,865	10,635
Equipment rental								19	19	19
Food distribution	61,369,582				823,776	62,193,358				62,193,358
Grants							14,218		14,218	14,218
Insurance		5,427	14,547	3,161		23,135	2,798	2,042	4,840	27,975
Interest							7,178		7,178	7,178
Miscellaneous		2,135	5,454	1,185		8,774	5,398	766	6,164	14,938
Occupancy		7,805	20,922	4,546		33,273	4,023	2,918	6,941	40,214
Office supplies		4,976	12,859	2,795		20,630	2,473	1,805	4,278	24,908
Packing and supplies		13,445	13,445	2,988		29,878				29,878
Postage		877	1,930	419		3,226	361	845	1,206	4,432
Printing		1,221	3,274	711		5,206	630	460	1,090	6,296
Professional services		13,595	36,440	7,919		57,954	7,008	54,477	61,485	119,439
Repairs and maintenance		7,871	21,097	4,585		33,553	4,057	2,962	7,019	40,572
Telephone		3,052	8,181	1,778		13,011	1,573	1,149	2,722	15,733
Temporary help		6,636	17,788	3,865		28,289	3,421	2,497	5,918	34,207
Transportation		15,968	17,902	3,978		37,848				37,848
Travel		3,515	10,199	2,216		15,930	1,961	1,432	3,393	19,323
<b>Total Expenses</b>	<b>\$ 61,369,582</b>	<b>\$ 202,760</b>	<b>\$ 493,060</b>	<b>\$ 107,299</b>	<b>\$ 823,776</b>	<b>\$ 62,996,477</b>	<b>\$ 140,022</b>	<b>\$ 114,754</b>	<b>\$ 254,776</b>	<b>\$ 63,251,253</b>

See notes to financial statements

**Foodbank of Southern California**  
**Statement of Cash Flows**  
**Year Ended June 30, 2019**

**Cash Flows from Operating Activities**

Change in net assets	\$ (1,471,169)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	93,870
Gain on disposal of property and equipment	(17,900)
Changes in operating assets and liabilities:	
Grants receivable	148,737
Food inventory	1,770,528
Other assets	(258)
Accounts payable and accrued liabilities	(9,936)
Deferred revenue	(7)

<b>Net Cash Provided by Operating Activities</b>	<b>513,865</b>
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**Cash Flows from Investing Activities**

Proceeds from sale of property and equipment	17,900
Purchase of property and equipment	(177,486)

<b>Net Cash Used in Investing Activities</b>	<b>(159,586)</b>
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**Cash Flows from Financing Activities**

Proceeds from vehicle loans payable	140,527
Principle payments on vehicle loans payable	(14,395)

<b>Net Cash Provided by Financing Activities</b>	<b>126,132</b>
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<b>Increase in Cash and Cash Equivalents</b>	<b>480,411</b>
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**Cash and Cash Equivalents  
at Beginning of Year**

<b>32,433</b>
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<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 512,844</b>
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**Supplementary Disclosures**

Income taxes paid	\$
Interest paid	\$ 7,178

See notes to financial statements.

**Foodbank of Southern California**  
**Notes to Financial Statements**  
**June 30, 2019**

**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—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Foodbank has adopted ASU 2016-14 for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Foodbank's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of Foodbank and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of Foodbank. These net assets may be used at the discretion of Foodbank's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of Foodbank and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit Foodbank to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of Foodbank to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of Foodbank's program services; interest and dividends earned on investments, etc. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**Foodbank of Southern California**  
**Notes to Financial Statements—Continued**

**Note A—Summary of Significant Accounting Policies—Continued**

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, 2019. 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.

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 and grants 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, 2019 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.

**Foodbank of Southern California**  
**Notes to Financial Statements—Continued**

**Note A—Summary of Significant Accounting Policies—Continued**

Revenue Recognition—Revenues from grants and contracts are reported as increases in net assets without donor restrictions 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 services 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. Depreciation and occupancy are allocated on the basis of square footage. Salaries, payroll taxes, development, insurance, miscellaneous, office supplies, postage, printing, professional services, repairs and maintenance, telephone, temporary help, and travel are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to either program services, management and general, or fundraising.

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.

**Note B—Availability and Liquidity**

Foodbank's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$600,000). The following represents the availability and liquidity of Foodbank's financial assets at June 30, 2019 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$	413,594
Grants receivable		163,263
<b>Current Availability of Financial Assets</b>	<b>\$</b>	<b><u>576,857</u></b>

**Note C—Grants Receivable**

Grants receivable at June 30, 2019 consists of receivables from government agencies and foundations.

**Foodbank of Southern California**  
**Notes to Financial Statements—Continued**

**Note D—Food Inventory**

Food inventory activity during the year ended June 30, 2019 was as follows:

	<u>Pounds</u>	<u>Dollar Value</u>
Beginning food inventory	1,181,939	\$ 2,032,935
Food received during the year	34,650,613	59,599,054
Food distributed during the year	(35,473,394)	(61,014,237)
<b>Ending Food Inventory</b>	<b><u>359,158</u></b>	<b><u>\$ 617,752</u></b>

Management has estimated the value of donated food at \$1.72 per pound during the year ended June 30, 2019.

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, 2019 consists of the following:

Building and improvements	\$ 1,611,418
Land	606,204
Transportation equipment	397,529
Furniture, fixtures and other equipment	107,894
	<u>2,723,045</u>
Less accumulated depreciation	(928,643)
<b>Net</b>	<b><u>\$ 1,794,402</u></b>

**Note F—Vehicle Loans Payable**

During the year ended June 30, 2019, Foodbank acquired two vehicles, financed by loans offered by the sellers of these vehicles. Interest rates for these loans range from 7.09% to 7.99%. The future maturities of these vehicle loans are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 20,472
2021	22,012
2022	23,668
2023	25,448
2024	27,364
Thereafter	7,168
<b>Total</b>	<b><u>\$ 126,132</u></b>

**Foodbank of Southern California**  
**Notes to Financial Statements—Continued**

**Note G—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 H—Net Assets With Donor Restrictions**

Net assets with donor restrictions for the year ended June 30, 2019 are as follows:

Subject to expenditure for specified purpose:	
Concrete floor for cooler	\$ 17,000
Subject to time restrictions:	
Brown Bag program	26,250
Subject to the Organization's endowment spending policy and appropriation:	
Endowment	<u>56,000</u>
<b>Total</b>	<b><u>\$ 99,250</u></b>

Net assets released from restrictions for the year ended June 30, 2019 are as follows:

Satisfaction of purpose restrictions:	
Purchase of vehicle	\$ 97,000
Satisfaction of passage of time	<u>18,750</u>
<b>Total</b>	<b><u>\$ 115,750</u></b>

**Foodbank of Southern California**  
**Notes to Financial Statements—Continued**

**Note I—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 net assets held in perpetuity 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 net assets held in perpetuity is classified as endowment net assets subject to appropriation, 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, 2019 follows:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Purpose- Restricted</u>	<u>Perpetual In Nature</u>	
Endowment net assets at July 1, 2018	\$	\$ 56,000	\$ 56,000
Interest income	1		1
Appropriation of endowment assets for expenditure	(1)		(1)
<b>Endowment Net Assets at June 30, 2019</b>	<b>\$</b>	<b>\$ 56,000</b>	<b>\$ 56,000</b>

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.

**Foodbank of Southern California**  
**Notes to Financial Statements—Continued**

**Note J—Subsequent Events**

Subsequent events were evaluated through November 22, 2019, 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.