

Audited Financial Statements



June 30, 2020

Quigley & Miron

Foodbank of Southern California
Audited Financial Statements
Table of Contents
June 30, 2020

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

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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, 2020, 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, 2020 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 & Niron". The signature is written in a cursive, flowing style.

Los Angeles, California
September 28, 2021

Foodbank of Southern California
Statement of Financial Position
June 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$ 1,446,615
Grants receivable—Note C	320,000
Food inventory—Note D	1,301,772

Total Current Assets 3,068,387

Non-Current Assets

Property and equipment, net—Note E	2,155,096
Other assets	1,916

Total Non-Current Assets 2,157,012

Total Assets \$ 5,225,399

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities	\$ 141,098
Vehicle loans payable, current portion—Note F	22,012
Deferred revenue	329

Total Current Liabilities 163,439

Vehicle Loans Payable—Note F

83,648

Total Liabilities 247,087

Commitments and Contingencies—Note G

Net Assets

Without donor restrictions	4,916,436
With donor restrictions	61,876

Total Net Assets 4,978,312

Total Liabilities and Net Assets \$ 5,225,399

See notes to financial statements.

Foodbank of Southern California
Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 1,279,810	\$	\$ 1,279,810
Food contributions	72,978,964		72,978,964
Agency donations	8,515		8,515
Temporary Emergency Food Assistance Program (TEFAP)	1,726,617		1,726,617
Federal Emergency Management Agency (FEMA)	69,300		69,300
CalFood (state grant)	766,457		766,457
Interest income	1		1
Net assets released from restrictions	37,374	(37,374)	
Total Public Support and Revenue	76,867,038	(37,374)	76,829,664
Expenses			
Program services			
Food distribution	72,294,944		72,294,944
Agency assistance	271,552		271,552
TEFAP	888,990		888,990
Brown Bag	131,451		131,451
Other purchased food	793,928		793,928
Total Program Services	74,380,865		74,380,865
Supporting services			
Management and general	268,235		268,235
Fundraising	145,419		145,419
Total Supporting Services	413,654		413,654
Total Expenses	74,794,519		74,794,519
Change in Net Assets	2,072,519	(37,374)	2,035,145
Net Assets at Beginning of Year	2,843,917	99,250	2,943,167
Net Assets at End of Year	\$ 4,916,436	\$ 61,876	\$ 4,978,312

See notes to financial statements.

Foodbank of Southern California
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services					Supporting Services				Total
	Food Distribution	Agency Assistance	TEFAP	Brown Bag	Other Purchased Food	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$	\$ 107,927	\$ 289,288	\$ 62,865	\$	\$ 460,080	\$ 55,632	\$ 40,612	\$ 96,244	\$ 556,324
Payroll taxes		8,020	21,498	4,672		34,190	4,134	3,018	7,152	41,342
Total Personnel Expenses		115,947	310,786	67,537		494,270	59,766	43,630	103,396	597,666
Board meetings and conferences							16,650		16,650	16,650
Depreciation		24,654	66,083	14,360		105,097	12,708	9,277	21,985	127,082
Development		2,952	7,914	1,720		12,586	1,697	1,429	3,126	15,712
Equipment rental		564				564				564
Food distribution	72,294,944		285,767		793,928	73,374,639				73,374,639
Grants							19,328		19,328	19,328
Insurance		6,428	17,230	3,744		27,402	3,313	2,419	5,732	33,134
Interest							6,106		6,106	6,106
Miscellaneous		2,302	6,170	1,341		9,813	11,049	866	11,915	21,728
Occupancy		7,181	19,248	4,183		30,612	3,702	3,585	7,287	37,899
Office supplies		5,849	15,676	3,407		24,932	3,014	2,200	5,214	30,146
Packing and supplies		45,625	45,625	10,139		101,389				101,389
Postage		701	1,879	408		2,988	361	1,384	1,745	4,733
Printing		1,312	3,517	764		5,593	676	494	1,170	6,763
Professional services							114,377	68,609	182,986	182,986
Repairs and maintenance		8,298	22,243	4,834		35,375	4,277	3,123	7,400	42,775
Telephone		3,813	10,220	2,221		16,254	1,965	1,435	3,400	19,654
Temporary help		13,289	37,133	8,069		58,491	7,141	5,213	12,354	70,845
Transportation		28,554	28,554	6,345		63,453				63,453
Travel		4,083	10,945	2,379		17,407	2,105	1,755	3,860	21,267
Total Expenses	\$ 72,294,944	\$ 271,552	\$ 888,990	\$ 131,451	\$ 793,928	\$ 74,380,865	\$ 268,235	\$ 145,419	\$ 413,654	\$ 74,794,519

See notes to financial statements

Foodbank of Southern California
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ 2,035,145
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	127,082
Changes in operating assets and liabilities:	
Grants receivable	(156,737)
Food inventory	(684,020)
Other assets	(678)
Accounts payable and accrued liabilities	121,248
Deferred revenue	(21)
Net Cash Provided by Operating Activities	1,442,019
Cash Flows from Investing Activities	
Purchase of property and equipment	(487,776)
Net Cash Used in Investing Activities	(487,776)
Cash Flows from Financing Activities	
Principle payments on vehicle loans payable	(20,472)
Net Cash Used in Financing Activities	(20,472)
Increase in Cash and Cash Equivalents	933,771
Cash and Cash Equivalents at Beginning of Year	512,844
Cash and Cash Equivalents at End of Year	\$ 1,446,615
Supplementary Disclosures	
Income taxes paid	\$
Interest paid	\$ 6,106

See notes to financial statements.

Foodbank of Southern California
Notes to Financial Statements
June 30, 2020

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—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.

Recently Adopted Accounting Principle—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The clarified guidance applies to all entities that receive or make contributions (grants). ASU No. 2018-08 has been adopted by Foodbank for the year ended June 30, 2020. Foodbank has determined that adopting ASU No. 2018-08 has had no material effect on the financial statements.

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, 2020. 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, 2020 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 \$300,000). The following represents the availability and liquidity of Foodbank's financial assets at June 30, 2020 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 1,384,739
Grants receivable	320,000
Current Availability of Financial Assets	<u>\$ 1,704,739</u>

Note C—Grants Receivable

Grants receivable at June 30, 2020 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, 2020 was as follows:

	<u>Pounds</u>	<u>Dollar Value</u>
Beginning food inventory	359,158	\$ 617,752
Food received during the year	42,429,629	72,978,964
Food distributed during the year	<u>(42,031,944)</u>	<u>(72,294,944)</u>
Ending Food Inventory	<u>756,843</u>	<u>\$ 1,301,772</u>

Management has estimated the value of donated food at \$1.72 per pound during the year ended June 30, 2020.

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, 2020 consists of the following:

Building and improvements	\$ 1,640,693
Land	606,204
Transportation equipment	659,397
Furniture, fixtures and other equipment	158,479
	<u>3,064,773</u>
Less accumulated depreciation	<u>(909,677)</u>
Net	<u>\$ 2,155,096</u>

Depreciation expense amounted to \$127,082 for the year ended June 30, 2020.

Foodbank of Southern California
Notes to Financial Statements—Continued

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>	
2021	\$ 22,012
2022	23,668
2023	25,448
2024	27,364
2025	7,168
Total	<u>\$ 105,660</u>

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, 2020 are as follows:

Subject to expenditure for specified purpose:	
Concrete floor for cooler	\$ 5,876
Subject to the Organization's endowment spending policy and appropriation:	
Endowment	56,000
Total Net Assets with Donor Restrictions	<u>\$ 61,876</u>

Net assets released from restrictions for the year ended June 30, 2020 are as follows:

Satisfaction of purpose restrictions:	
Concrete floor for cooler	\$ 11,124
Satisfaction of passage of time:	
Brown Bag program	26,250
Total Net Assets Released from Donor Restrictions	<u>\$ 37,374</u>

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, 2020 follows:

	<u>With Donor Restrictions</u>		
	<u>Purpose- Restricted</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Endowment net assets at July 1, 2019	\$	\$ 56,000	\$ 56,000
Interest income	1		1
Appropriation of endowment assets for expenditure	<u>(1)</u>		<u>(1)</u>
Endowment Net Assets at June 30, 2020	<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.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note J—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Foodbank has continued to conduct its activities and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on Foodbank, if any, cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note K—Recent Accounting Pronouncements

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. Foodbank is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note L—Subsequent Events

Subsequent events were evaluated through September 28, 2021, 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.