

**Audited Financial Statements
and Required Supplementary Information**



June 30, 2021

Quigley & Miron

Foodbank of Southern California
Audited Financial Statements and Required Supplementary Information
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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, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

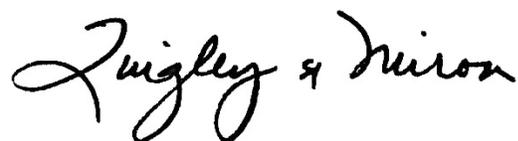
Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

As described in the schedule of findings and questioned costs, Foodbank of Southern California was not able to provide certain required procedural verification documentation, and, as a result, we are not able to confirm that the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued reports dated May 2, 2022, on our consideration of Foodbank of Southern California's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foodbank of Southern California's internal control over financial reporting and compliance.



Foodbank of Southern California
Statement of Financial Position
June 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 2,764,435
Grants receivable—Note C	964,427
Prepaid expenses	5,628
Food inventory—Note D	436,109

Total Current Assets 4,170,599

Non-Current Assets

Property and equipment, net—Note E	3,188,311
Other assets	806

Total Non-Current Assets 3,189,117

Total Assets \$ 7,359,716

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued liabilities	\$ 5,344
Vehicle loans payable, current portion—Note F	23,942
Deferred revenue	319

Total Current Liabilities 29,605

Vehicle Loans Payable—Note F

59,980

Total Liabilities 89,585

Commitments and Contingencies—Note G

Net Assets

Without donor restrictions	7,174,131
With donor restrictions	96,000

Total Net Assets 7,270,131

Total Liabilities and Net Assets \$ 7,359,716

See notes to financial statements.

Foodbank of Southern California
Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 2,362,790	\$ 40,000	\$ 2,402,790
Food contributions	67,044,176		67,044,176
Agency donations	2,968		2,968
Temporary Emergency Food Assistance Program (TEFAP)	5,887,924		5,887,924
Federal Emergency Management Agency (FEMA)	27,600		27,600
CalFood (state grant)	679,693		679,693
Interest income	1		1
Net assets released from restrictions	5,876	(5,876)	
Total Public Support and Revenue	76,011,028	34,124	76,045,152
Expenses			
Program services			
Food distribution	67,909,838		67,909,838
Agency assistance	307,792		307,792
TEFAP	4,136,968		4,136,968
Brown Bag	160,878		160,878
Other purchased food	805,871		805,871
Total Program Services	73,321,347		73,321,347
Supporting services			
Management and general	196,261		196,261
Fundraising	235,725		235,725
Total Supporting Services	431,986		431,986
Total Expenses	73,753,333		73,753,333
Change in Net Assets	2,257,695	34,124	2,291,819
Net Assets at Beginning of Year	4,916,436	61,876	4,978,312
Net Assets at End of Year	<u>\$ 7,174,131</u>	<u>\$ 96,000</u>	<u>\$ 7,270,131</u>

See notes to financial statements.

Foodbank of Southern California
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services					Supporting Services				
	Food Distribution	Agency Assistance	TEFAP	Brown Bag	Other Purchased Food	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$	\$ 100,469	\$ 269,299	\$ 58,521	\$	\$ 428,289	\$ 51,788	\$ 37,805	\$ 89,593	\$ 517,882
Payroll taxes		8,823	23,651	5,139		37,613	4,548	3,320	7,868	45,481
Total Personnel Expenses		109,292	292,950	63,660		465,902	56,336	41,125	97,461	563,363
Board meetings and conferences							5,577		5,577	5,577
Depreciation		41,811	147,868	32,133		221,812	28,436	20,758	49,194	271,006
Development		455	1,219	265		1,939	235	171	406	2,345
Equipment rental		114	305	66		485	60	43	103	588
Food distribution	67,909,838		3,150,874		805,871	71,866,583				71,866,583
Grants			198,350			198,350				198,350
Insurance		6,292	16,865	3,665		26,822	3,243	2,368	5,611	32,433
Interest							7,538		7,538	7,538
Miscellaneous		2,905	7,788	1,692		12,385	12,951	1,093	14,044	26,429
Occupancy		11,109	29,777	6,470		47,356	5,727	4,180	9,907	57,263
Office supplies		14,983	40,160	8,727		63,870	7,724	5,638	13,362	77,232
Packing and supplies		40,474	89,463	8,994		138,931				138,931
Postage		1,249	3,347	727		5,323	644	852	1,496	6,819
Printing		2,172	5,821	1,265		9,258	1,120	817	1,937	11,195
Professional services		2,580	6,916	1,503		10,999	43,928	142,406	186,334	197,333
Repairs and maintenance		13,956	37,409	8,129		59,494	7,195	5,252	12,447	71,941
Telephone		5,368	14,390	3,127		22,885	2,767	2,020	4,787	27,672
Temporary help		21,525	57,695	12,538		91,758	11,575	8,100	19,675	111,433
Transportation		31,110	29,347	6,521		66,978				66,978
Travel		2,397	6,424	1,396		10,217	1,205	902	2,107	12,324
Total Expenses	\$ 67,909,838	\$ 307,792	\$ 4,136,968	\$ 160,878	\$ 805,871	\$ 73,321,347	\$ 196,261	\$ 235,725	\$ 431,986	\$ 73,753,333

See notes to financial statements

Foodbank of Southern California
Statement of Cash Flows
Year Ended June 30, 2021

Cash Flows from Operating Activities		
Change in net assets		\$ 2,291,819
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		271,006
Changes in operating assets and liabilities:		
Grants receivable		(644,427)
Prepaid expenses		(5,628)
Food inventory		865,663
Other assets		1,110
Accounts payable and accrued liabilities		(135,754)
Deferred revenue		(10)
	Net Cash Provided by Operating Activities	2,643,779
Cash Flows from Investing Activities		
Purchase of property and equipment		(1,304,221)
	Net Cash Used in Investing Activities	(1,304,221)
Cash Flows from Financing Activities		
Principle payments on vehicle loans payable		(21,738)
	Net Cash Used in Financing Activities	(21,738)
	Increase in Cash and Cash Equivalents	1,317,820
Cash and Cash Equivalents at Beginning of Year		1,446,615
	Cash and Cash Equivalents at End of Year	\$ 2,764,435
Supplementary Disclosures		
Income taxes paid		\$
Interest paid		\$ 7,538

See notes to financial statements.

Foodbank of Southern California
Notes to Financial Statements
June 30, 2021

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 food distribution services, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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, 2021. 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.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note A—Summary of Significant Accounting Policies—Continued

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, 2021 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. Contributions in-kind are reflected on the statement of activities under the food contributions caption. 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 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.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note A—Summary of Significant Accounting Policies—Continued

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, 2021 to cover operating expenses for the next fiscal year:

Cash and cash equivalents	\$ 2,668,435
Grants receivable	964,427
	<hr/>
Current Availability of Financial Assets	\$ 3,632,862

Note C—Grants Receivable

Grants receivable at June 30, 2021 consists of receivables from government agencies and foundations.

Note D—Food Inventory

Food inventory activity during the year ended June 30, 2021 was as follows:

	<u>Pounds</u>	<u>Dollar Value</u>
Beginning food inventory	756,843	\$ 1,301,772
Food received during the year	38,979,172	67,044,176
Food distributed during the year	(39,482,465)	(67,909,839)
	<hr/>	<hr/>
Ending Food Inventory	253,550	\$ 436,109

During the year ended June 30, 2021, management estimated the value of donated food at \$1.72 per pound, based on a national independent study.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note D—Food Inventory—Continued

Food donated to Foodbank is capitalized as inventory and shown on the accompanying financial statements as contributions without donor restrictions. Upon distribution, the food inventory is recorded as a decrease to net assets without donor restrictions.

Note E—Property and Equipment, Net

Net property and equipment at June 30, 2021 consists of the following:

Building and improvements	\$	2,051,613
Land		606,204
Transportation equipment		1,429,082
Furniture, fixtures and other equipment		282,095
		<hr/>
		4,368,994
Less accumulated depreciation		(1,180,683)
		<hr/>
Net	\$	<u>3,188,311</u>

Depreciation expense amounted to \$271,006 for the year ended June 30, 2021.

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>		
2022	\$	23,942
2023		25,448
2024		27,364
2025		7,168
		<hr/>
Total	\$	<u>83,922</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.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note H—Net Assets with Donor Restrictions

Net assets with donor restrictions for the year ended June 30, 2021 are as follows:

Subject to time restrictions:	
General operations	\$ 40,000
Subject to Foodbank's endowment spending policy and appropriation:	
Endowment	<u>56,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 96,000</u>

Net assets released from restrictions for the year ended June 30, 2021 are as follows:

Satisfaction of purpose restrictions:	
Concrete floor for cooler	<u>\$ 5,876</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 5,876</u>

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

Foodbank of Southern California
Notes to Financial Statements—Continued

Note I—Endowment Fund—Continued

Activity in the endowment-related accounts during the year ended June 30, 2021 follows:

	With Donor Restrictions		Total
	Purpose- Restricted	Perpetual In Nature	
Endowment net assets at July 1, 2020	\$	\$ 56,000	\$ 56,000
Interest income	1		1
Appropriation of endowment assets for expenditure	(1)		(1)
Endowment Net Assets at June 30, 2021	\$	\$ 56,000	\$ 56,000

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 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.

Foodbank of Southern California
Notes to Financial Statements—Continued

Note L—Subsequent Events

Subsequent events were evaluated through May 2, 2022, 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.

**Foodbank of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Food Distribution Cluster			
Emergency Food Assistance Program (Administrative Costs) Passed through State of California Department of Social Services	10.568	15-MOU-00122	\$ 5,887,924
Emergency Food Assistance Program (Food Commodities) Passed through State of California Department of Social Services	10.569	15-MOU-00122	<u>40,702,082</u>
Total Food Distribution Cluster, CFDA Nos. 10.565, 10.568, and 10.569			<u>46,590,006</u>
Total U.S. Department of Agriculture			<u>46,590,006</u>
<u>Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program	97.024		<u>27,600</u>
Total CFDA 97.024			<u>27,600</u>
Total Department of Homeland Security			<u>27,600</u>
Total Federal Awards			<u><u>\$ 46,617,606</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Foodbank of Southern California
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

Note A—Basis of Presentation

The accompanying-schedule of expenditures of federal awards includes the federal grant activity of Foodbank of Southern California under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Foodbank of Southern California, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Foodbank of Southern California.

Note B—Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the schedule represent adjustments or credits made in the normal course of operations to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note C—Indirect Cost Rate

Foodbank of Southern California has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Foodbank of Southern California
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021**

Finding 2020-001: Accounting for Inventory

Prior audit finding 2020-001 initially occurred during the year ended June 30, 2020.

Status of Prior Audit Finding: Subsequent to June 30, 2020, Foodbank implemented a process to reconcile the physical inventory count at year-end with the records kept by its outsourced bookkeeper/accountant. In March 2021, Foodbank approved the purchase of software that was designed specifically for food banks to help them account for food receipts and distributions, as well as the physical inventory accounting required for food banks. As of year-end however, the effects of the finding remained.

Finding 2020-002: Recipient Agency Documentation

Prior audit finding 2020-002 initially occurred during the year ended June 30, 2020.

Status of Prior Audit Finding: Planned corrective action was completed during the fiscal year ended June 30, 2021.

Finding 2020-003: Accounting for USDA Foods Received

Prior audit finding 2020-003 initially occurred during the year ended June 30, 2020.

Status of Prior Audit Finding: Subsequent to June 30, 2020, in March 2021, Foodbank approved the purchase of software that was designed specifically for food banks to help them account for food receipts and distributions, as well as the physical inventory accounting required for food banks. As of year-end however, the effects of the finding remained.

Finding 2020-004: Recipient Agency Documentation

Prior audit finding 2020-004 initially occurred during the year ended June 30, 2020.

Status of Prior Audit Finding: Planned corrective action was completed during the fiscal year ended June 30, 2021.

Certified Public Accountants

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Foodbank of Southern California
Long Beach, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Foodbank of Southern California (Foodbank), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 2, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foodbank's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foodbank's internal control. Accordingly, we do not express an opinion on the effectiveness of Foodbank's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foodbank’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

Foodbank’s Response to Findings

Foodbank’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Foodbank’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Foodbank’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Foodbank’s internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Los Angeles, California
May 2, 2022

Certified Public Accountants

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Directors
Foodbank of Southern California
Long Beach, California

Report on Compliance for Each Major Federal Program

We have audited the compliance of Foodbank of Southern California (Foodbank) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2021. Foodbank's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Foodbank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Foodbank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our adverse opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Foodbank's compliance.

Basis for Adverse Opinion on Food Distribution Cluster

As described in the accompanying schedule of findings and questioned costs, Foodbank did not comply with requirements regarding the Department of Agriculture, Food Distribution Cluster: Commodity Supplemental Food Program, CFDA No. 10.565, Emergency Food Assistance Program (Administrative Costs), CFDA No. 10.568, and Emergency Food Assistance Program (Food Commodities), CFDA No. 10.569, as described in finding number 2021-003 for *Special Tests and Provisions – Accountability for USDA Foods*. Compliance with such requirements is necessary, in our opinion, for Foodbank to comply with the requirements applicable to that program.

Adverse Opinion on Food Distribution Cluster

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, Foodbank did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program Food Distribution Cluster for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-003.

Foodbank's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Foodbank's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Foodbank's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Foodbank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foodbank's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in

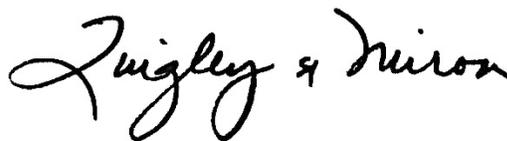
internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-003, that we consider to be a material weakness.

Foodbank's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Foodbank's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance, and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Los Angeles, California
May 2, 2022

Foodbank of Southern California
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Foodbank of Southern California were prepared in accordance with accounting principles generally accepted in the United States of America.
2. Two material weakness disclosed during the audit of the financial statements is reported in this schedule.
3. Two instances of noncompliance material to the financial statements of Foodbank of Southern California were disclosed during the audit.
4. One material weakness was identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program of Foodbank of Southern California expresses an adverse opinion.
6. Audit findings that are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* section 200.516(a) are reported in this schedule.
7. The program tested as a major program was the Department of Agriculture, Food Distribution Cluster: Commodity Supplemental Food Program, CFDA No. 10.565, Emergency Food Assistance Program (Administrative Costs), CFDA No. 10.568, and Emergency Food Assistance Program (Food Commodities), CFDA No. 10.569.
8. The threshold for distinguishing Types A and B programs was \$1,398,528.
9. Foodbank of Southern California was determined to be a high-risk auditee.

B. Findings—Financial Statements Audit

See schedule of findings following, detailing findings 2021-001 and 2021-002.

C. Findings and Questioned Costs—Major Federal Award Program

See schedule of findings and questioned costs following, detailing finding 2021-003.

Foodbank of Southern California
Schedule of Findings and Questioned Costs—Continued
Year Ended June 30, 2021

B. Findings—Financial Statements Audit

Finding 2021-001: Accounting for Inventory

Material Weakness over Financial Reporting

Criteria: Organizations should design and implement internal controls adequate to ensure balances reported on its financial statements reconcile to subsidiary ledgers, as well as amounts accounted for by their actual physical presence.

Condition: We noted the year-end inventory reported on the financial statements did not reconcile to the physical inventory observed by the auditors and the organization as of year-end. Although inventory is adjusted on a monthly basis by accounting for incoming food receipts and outgoing food distributions, the final inventory balance is not adjusted to match the physical inventory on hand at year-end.

Effect or Potential Effect: Due to the control deficiencies described above, the inventory balance was understated by \$386,487 and food cost was overstated by the same amount for the year ended June 30, 2021.

Cause: Foodbank staff does not provide updated food poundage information to its outsourced bookkeeper/accountant after performing the physical inventory count.

Identification of a repeat finding: This is a repeat finding from the prior year audit, 2020-001.

Recommendation: We recommend Foodbank report the updated food poundage to its outsourced bookkeeper/accountant upon completing the physical inventory count.

Views of responsible officials and planned corrective actions: Foodbank agrees with the finding and has implemented a process to reconcile the physical inventory count at year-end with the records kept by its outsourced bookkeeper/accountant. In March 2021, Foodbank approved the purchase of software that was designed specifically for food banks to help them account for food receipts and distributions, as well as the physical inventory accounting.

Finding 2021-002: Accounting for Receivables and Revenues

Material Weakness over Financial Reporting

Criteria: Under ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, most federal grants are considered donor-restricted conditional contributions and expense recognition is deferred until the conditions are met.

Condition: Under its Emergency Food Assistance Program—Administrative Costs grant, Foodbank recognizes grant revenue and the related receivables on a reimbursement basis. Included in activities for the year ended June 30, 2021 was a reimbursement request for activity subsequent to year-end.

Foodbank of Southern California
Schedule of Findings and Questioned Costs—Continued
Year Ended June 30, 2021

B. Findings—Financial Statements Audit—Continued

Effect or Potential Effect: Due to the control deficiencies described above, the grants receivable balance was overstated by \$618,019 and grant revenues were overstated by the same amount for the year ended June 30, 2021.

Cause: Foodbank reported expenditures for reimbursement prior to their occurrence to request reimbursement of funds.

Identification of a repeat finding: This is not a repeat finding.

Recommendation: We recommend Foodbank complete an analysis of funds requested for reimbursement, and only request reimbursement for funds when expenditures are incurred in the proper period.

Views of responsible officials and planned corrective actions: Foodbank agrees with the finding and will implement a process to account for reimbursement requests appropriately.

C. Findings—Major Federal Award Program

Finding 2021-003: Accounting for USDA Foods Received

Material Noncompliance and Material Weakness over Compliance: Special Tests and Provisions - Accountability for USDA Foods

Criteria: Accurate and complete records must be maintained with respect to the receipt, distribution/use, and inventory of USDA Foods, including end products processed from USDA Foods in TEFAP. Failure to maintain records required by 7 CFR section 250.19 is considered prima facie evidence of improper distribution or loss of USDA Foods, and the agency processor or entity is liable for the value of the food or replacement of the food in kind (7 CFR sections 250.16 and 250.19(a)).

Condition: During our testing of food receipts from the USDA we noted the accounting was not properly maintained for USDA Foods, and that the physical inventory was not reconciled with inventory records.

Effect or Potential Effect: Due to the control deficiencies described above, we were unable to reconcile incoming USDA Food distributions to Foodbank's underlying records.

Cause: Foodbank underwent significant changes in its staffing, including the sudden death of its executive director, and significant turnover and absences of employees during the COVID-19 pandemic. As a result, many documents were misplaced and poorly maintained.

Identification of a repeat finding: This is a repeat finding from the prior year audit, 2020-003.

Recommendation: We recommend Foodbank implement an electronic inventory receipt and distribution system that incorporates the steps taken to properly and accurately account for incoming food from the USDA.

Foodbank of Southern California
Schedule of Findings and Questioned Costs—Continued
Year Ended June 30, 2021

C. Findings—Major Federal Award Program—Continued

Views of responsible officials and planned corrective actions: Foodbank agrees with the finding and has implemented a process to properly and accurately account for incoming USDA Foods. In March 2021, Foodbank approved the purchase of software that was designed specifically for food banks to help them account for food receipts and distributions, as well as the physical inventory accounting required for food banks.

**Foodbank of Southern California
Corrective Action Plan
June 30, 2021**

Findings—Financial Statements Audit

Finding 2021-001: Accounting for Inventory

Corrective Action: Foodbank agrees with the finding and has implemented a process to reconcile the physical inventory count at year-end with the records kept by its outsourced bookkeeper/accountant. In March 2021, Foodbank approved the purchase of software that was designed specifically for food banks to help them account for food receipts and distributions, as well as the physical inventory accounting required for food banks.

Name of Contact Person: Jeanne Cooper, President

Proposed Completion Date: August 31, 2022

Finding 2021-002: Accounting for Receivables and Revenues

Corrective Action: Foodbank agrees with the finding and will implement a process to account for reimbursement requests appropriately.

Name of Contact Person: Jeanne Cooper, President

Proposed Completion Date: August 31, 2022

Findings and Questioned Costs—Major Federal Award Program

Finding 2021-003: Accounting for USDA Foods Received

Corrective Action: Foodbank agrees with the finding and has implemented a process to properly and accurately account for incoming USDA Foods. In March 2021, Foodbank approved the purchase of software that was designed specifically for food banks to help them account for food receipts and distributions, as well as the physical inventory accounting required for food banks.

Name of Contact Person: Jeanne Cooper, President

Proposed Completion Date: August 31, 2022