

**JACOBS & CUSHMAN  
SAN DIEGO FOOD BANK  
A NONPROFIT ORGANIZATION  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK  
A NONPROFIT ORGANIZATION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Jacobs & Cushman San Diego Food Bank

We have audited the accompanying consolidated financial statements of Jacobs & Cushman San Diego Food Bank, a nonprofit organization, and subsidiary which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jacobs & Cushman San Diego Food Bank and subsidiary as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



CONSIDINE & CONSIDINE  
An Accountancy Corporation

September 19, 2016

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK**  
**A NONPROFIT ORGANIZATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**

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	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,128,547	\$ 1,543,525
Accounts Receivable (Note 3)	160,237	576,301
Contributions Receivable	138,750	23,730
Inventory (Note 4)	3,332,558	2,578,940
Investments (Note 6)	1,153,252	408,407
	5,913,344	5,130,903
<b>PROPERTY AND EQUIPMENT (Note 5)</b>	15,504,530	14,287,246
<b>OTHER ASSETS</b>		
Other Assets	49,640	47,047
<b>TOTAL ASSETS</b>	21,467,514	19,465,196
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	171,857	304,447
Accrued Liabilities (Note 8)	295,640	235,045
Customer Advances	33,120	25,894
<b>TOTAL LIABILITIES</b>	500,617	565,386
<b>NET ASSETS (Note 10)</b>		
Unrestricted Net Assets	20,148,985	17,925,378
Temporarily Restricted Net Assets	817,912	974,432
	20,966,897	18,899,810
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 21,467,514	\$ 19,465,196

See Accompanying Notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK  
A NONPROFIT ORGANIZATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

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	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>			
Business Enterprise (Note 11)	\$ 26,038,784	\$ -	\$ 26,038,784
Private Donations	4,111,940	1,414,906	5,526,846
Government Contracts	2,175,671	-	2,175,671
	<u>32,326,395</u>	<u>1,414,906</u>	<u>33,741,301</u>
Special Events (Note 12)			
Special Events Revenue	866,726	-	866,726
Direct Benefits to Donors	(376,150)	-	(376,150)
	<u>490,576</u>	<u>-</u>	<u>490,576</u>
Net assets released from temporary restrictions	1,571,426	(1,571,426)	-
<b>TOTAL REVENUE</b>	<u>34,388,397</u>	<u>(156,520)</u>	<u>34,231,877</u>
<b>EXPENSES</b>			
Government Programs	8,794,382	-	8,794,382
Non-Government Programs	21,004,299	-	21,004,299
General and Administrative	582,375	-	582,375
Fundraising	1,871,232	-	1,871,232
	<u>32,252,288</u>	<u>-</u>	<u>32,252,288</u>
	2,136,109	(156,520)	1,979,589
<b>OTHER INCOME</b>			
Other Income	87,498	-	87,498
<b>CHANGE IN NET ASSETS</b>	<u>2,223,607</u>	<u>(156,520)</u>	<u>2,067,087</u>
<b>NET ASSETS, BEGINNING</b>	<u>17,925,378</u>	<u>974,432</u>	<u>18,899,810</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 20,148,985</u>	<u>\$ 817,912</u>	<u>\$ 20,966,897</u>

See Accompanying Notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK  
A NONPROFIT ORGANIZATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

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	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>			
Business Enterprise (Note 11)	\$ 25,407,071	\$ -	\$ 25,407,071
Private Donations	3,574,393	2,001,809	5,576,202
Government Contracts	1,624,848	25,000	1,649,848
	<u>30,606,312</u>	<u>2,026,809</u>	<u>32,633,121</u>
Special Events (Note 12)			
Special Events Revenue	811,177	-	811,177
Direct Benefits to Donors	(351,727)	-	(351,727)
	<u>459,450</u>	<u>-</u>	<u>459,450</u>
Net assets released from temporary restrictions	2,048,315	(2,048,315)	-
<b>TOTAL REVENUE</b>	<u>33,114,077</u>	<u>(21,506)</u>	<u>33,092,571</u>
<b>EXPENSES</b>			
Government Programs	8,807,165	-	8,807,165
Non-Government Programs	20,882,151	-	20,882,151
General and Administrative	459,879	-	459,879
Fundraising	1,720,332	-	1,720,332
	<u>31,869,527</u>	<u>-</u>	<u>31,869,527</u>
	<u>1,244,550</u>	<u>(21,506)</u>	<u>1,223,044</u>
<b>OTHER INCOME</b>			
Other Income	14,228	-	14,228
<b>CHANGE IN NET ASSETS</b>	<u>1,258,778</u>	<u>(21,506)</u>	<u>1,237,272</u>
<b>NET ASSETS, BEGINNING</b>	<u>16,666,600</u>	<u>995,938</u>	<u>17,662,538</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 17,925,378</u>	<u>\$ 974,432</u>	<u>\$ 18,899,810</u>

See Accompanying Notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK**  
**A NONPROFIT ORGANIZATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	Government Programs	Non- Government Programs	General and Administrative	Fundraising	Total
<b>EXPENSES</b>					
Administrative Support	\$ -	\$ -	\$ 2,937	\$ -	\$ 2,937
Bank Charges	-	5,826	29,588	32,584	67,998
Contract Services	43,908	76,403	21,897	198,840	341,048
Direct Mail and Marketing	3,500	38,013	5,864	894,266	941,643
Dues and Subscriptions	1,105	19,507	22,530	7,131	50,273
Equipment Rental	5,234	7,856	2,557	154,875	170,522
Food Acquisition and Distribution	7,343,601	19,056,966	24,396	11,853	26,436,816
Insurance	13,956	13,532	17,266	2,505	47,259
Meeting Expenses	212	4,579	6,387	15,135	26,313
Warehouse Expenses	72,961	113,870	18,657	9,535	215,023
Personnel Expenses	928,516	1,134,622	347,755	681,503	3,092,396
Printing and Mailing	18,274	35,596	6,241	63,922	124,033
Repairs and Maintenance	28,670	61,221	16,525	13,265	119,681
Supplies	27,116	83,317	7,428	87,151	205,012
Telephone	8,095	10,997	1,175	1,369	21,636
Travel	10,689	17,381	676	15,739	44,485
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>8,505,837</b>	<b>20,679,686</b>	<b>531,879</b>	<b>2,189,673</b>	<b>31,907,075</b>
Depreciation	288,545	324,613	50,496	57,709	721,363
<b>TOTAL EXPENSES</b>	<b>8,794,382</b>	<b>21,004,299</b>	<b>582,375</b>	<b>2,247,382</b>	<b>32,628,438</b>
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	(376,150)	(376,150)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<b>\$ 8,794,382</b>	<b>\$ 21,004,299</b>	<b>\$ 582,375</b>	<b>\$ 1,871,232</b>	<b>\$ 32,252,288</b>

See Accompanying Notes



**JACOBS & CUSHMAN SAN DIEGO FOOD BANK**  
**A NONPROFIT ORGANIZATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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	Government Programs	Non- Government Programs	General and Administrative	Fundraising	Total
<b>EXPENSES</b>					
Administrative Support	\$ -	\$ -	\$ 4,343	\$ 63	\$ 4,406
Bank Charges	-	3,705	26,955	23,272	53,932
Contract Services	53,325	34,677	10,391	182,444	280,837
Direct Mail and Marketing	-	5,139	6,707	808,021	819,867
Dues and Subscriptions	2,217	18,392	8,002	13,437	42,048
Equipment Rental	5,228	7,786	850	138,189	152,053
Food Acquisition and Distribution	7,470,029	19,313,649	25,201	7,905	26,816,784
Insurance	11,491	11,368	12,728	2,069	37,656
Meeting Expenses	104	155	9,226	8,626	18,111
Warehouse Expenses	128,489	124,235	20,872	15,789	289,385
Personnel Expenses	841,517	992,224	284,584	652,264	2,770,589
Printing and Mailing	12,568	21,690	4,512	57,417	96,187
Repairs and Maintenance	25,561	36,602	1,634	14,091	77,888
Supplies	24,185	49,078	3,456	89,000	165,719
Telephone	5,827	5,771	955	1,092	13,645
Travel	10,462	14,499	1,635	15,148	41,744
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<b>8,591,003</b>	<b>20,638,970</b>	<b>422,051</b>	<b>2,028,827</b>	<b>31,680,851</b>
Depreciation	216,162	243,181	37,828	43,232	540,403
<b>TOTAL EXPENSES</b>	<b>8,807,165</b>	<b>20,882,151</b>	<b>459,879</b>	<b>2,072,059</b>	<b>32,221,254</b>
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	(351,727)	(351,727)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<b>\$ 8,807,165</b>	<b>\$ 20,882,151</b>	<b>\$ 459,879</b>	<b>\$ 1,720,332</b>	<b>\$ 31,869,527</b>

See Accompanying Notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK  
A NONPROFIT ORGANIZATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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	2016	2015
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,067,087	\$ 1,237,272
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation	721,363	540,403
Loss/(Gain) on Sale of Equipment	12,742	(7,399)
Unrealized Loss/(Gain) on Investments	8,313	(1,001)
In-Kind Contributions	-	(26,675)
In-Kind Investment Contributions	(115,843)	(47,040)
Change in Contributed Food Inventory	(1,022,825)	486,400
Change in Operating Assets and Liabilities:		
Accounts Receivable	416,064	1,038,322
Contributions Receivable	(115,020)	49,655
Inventories	269,207	(295,915)
Other Assets	(2,593)	(32,183)
Accounts Payable	(132,590)	(652,030)
Accrued Expenses	60,595	19,927
Customer Advances	7,226	(7,284)
	106,639	1,065,180
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	2,173,726	2,302,452
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(1,904,901)	(2,495,649)
Purchase of Investments	(687,803)	-
Proceeds on Sale of Equipment	4,000	11,799
	(2,588,704)	(2,483,850)
<b>NET DECREASE IN CASH</b>	(414,978)	(181,398)
<b>CASH, BEGINNING</b>	1,543,525	1,724,923
<b>CASH, ENDING</b>	\$ 1,128,547	\$ 1,543,525
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest Paid	\$ -	\$ -
Taxes Paid	\$ -	\$ -

See Accompanying Notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK  
A NONPROFIT ORGANIZATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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**NOTE 1 THE ORGANIZATION**

Jacobs & Cushman San Diego Food Bank (the "Organization"), incorporated under the laws of the State of California, operates as a nonprofit public-benefit organization that provides food to people in need, advocates for the hungry, connects the population it serves to a range of health and human service providers, and educates the public about hunger in San Diego County. The Organization operates as a central repository and distribution point for USDA commodities and donated food. Through its own direct distributions and through a network of over 300 nonprofit hunger relief organizations, Jacobs & Cushman San Diego Food Bank distributes approximately 21 million pounds of food annually to people in need throughout San Diego County. In November 2011, the Organization transferred the building to The Jacobs & Cushman San Diego Food Bank Building, LLC, which is 100% owned by the Jacobs & Cushman San Diego Food Bank.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The accompanying consolidated financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles.

**Consolidations** - The accompanying consolidated financial statements include the accounts of Jacobs & Cushman San Diego Food Bank and its 100% owned subsidiary, The Jacobs & Cushman San Diego Food Bank Building, LLC. All significant intercompany transactions and accounts have been eliminated.

**Estimates** - The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

**Basis of Presentation** - Under accounting standards on Financial Statements of Not-for-profit Organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Unrestricted Net Assets** - Unrestricted amounts consist of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services.

**Temporarily Restricted Net Assets** - Temporarily restricted amounts are those which are restricted by donors for specific operating purposes and are not currently available for use in the organization's operations until commitments regarding their use have been fulfilled.

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Permanently Restricted Net Assets - Permanently restricted amounts are those which are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization. At June 30, 2016 and 2015, there were no permanently restricted net assets.

Cash - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Organization maintains several bank accounts with Wells Fargo, which at times may exceed the federally insured deposit limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on cash.

Contributions Receivable - Contributions receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. All contributions receivable are short-term and therefore, no present value discounting was recorded. All contributions receivable are considered collectible as of June 30, 2016 and 2015.

Inventory - Inventory consists of food products received through government programs sponsored by the USDA (Emergency Food Assistance Program and Commodity Supplemental Food Program), purchased and donated food products. The Organization records contributed food received from the USDA based on actual food product prices provided by the corresponding USDA program. During the years ended June 30, 2016 and 2015, the USDA Emergency Food Assistance Program food product prices averaged \$0.58 and \$0.55 per pound, respectively, and USDA Commodity Supplemental Food Program food product prices averaged \$0.66 and \$0.72 per pound, respectively. All other contributed food items are valued using an average cost based on the industry standard of \$1.66 per pound for the years ended June 30, 2016 and 2015.

Property and Equipment - Property and equipment are carried at cost, or if donated, at fair value. The Organization capitalizes nonroutine improvements over \$5,000. Depreciation is computed using the straight-line method of depreciation over the assets estimated useful lives of five to thirty-nine years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Investments - Investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurement - The Organization follows accounting standards which define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements for all financial assets and liabilities.

Revenue Recognition - Revenue is recognized when earned, which may be when cash is received, unconditional promises made, ownership of other assets transferred, or services rendered. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. Revenues from reimbursable expenses are recognized when all requirements are met and the Organization is entitled to the revenue. Shared maintenance fees represent amounts charged to agencies for food from the marketplace for a nominal per pound fee.

Concentrations - In the current period, a significant amount of food receipts and grants were provided by government contracts. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimates.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore no provision has been made for federal income taxes in the accompanying consolidated financial statements.

The Organization follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the consolidated financial statements and prescribes a recognition threshold and measurement attribute for the consolidated financial statements and recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. As of June 30, 2016 and 2015, the Organization has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reclassifications - Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**NOTE 3 ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2016	2015
Government Contracts Receivable	\$ 140,488	\$ 569,522
Marketplace Food Purchases	13,998	6,779
Other Receivables	5,751	-
	\$ 160,237	\$ 576,301

Management assesses the collectability of all accounts receivable at the close of each period and records an allowance for doubtful accounts based on specific identification. Management has determined all receivables were collectible at June 30, 2016 and 2015.

Government contracts receivable relates to reimbursements under government programs that have not been received from the respective government agency. It represents the amount due through the years ended June 30, 2016 and 2015, respectively.

**NOTE 4 INVENTORY**

Inventory consists of the following:

	2016	2015
Marketplace		
Donated	\$ 1,523,581	\$ 929,350
Purchased	138,500	407,706
	1,662,081	1,337,056
EFAP Government Contract	1,109,005	786,551
CSFP Government Contract	561,472	455,333
	\$ 3,332,558	\$ 2,578,940

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

	2016	2015
Building Improvements	\$ 6,461,184	\$ 5,033,046
Building	5,578,840	5,578,840
Land	4,378,000	4,378,000
Warehouse Equipment	1,211,683	847,549
Transportation Equipment	532,844	452,766
Furniture and Office Equipment	335,367	335,367
	18,497,918	16,625,568
Accumulated Depreciation	(3,069,286)	(2,386,472)
	15,428,632	14,239,096
Construction in Progress	75,898	48,150
	\$ 15,504,530	\$ 14,287,246

Depreciation expense was \$721,363 and \$540,403 for the years ended June 30, 2016 and 2015, respectively.

At June 30, 2015, the construction in progress related to construction contracts to renovate their facilities totaling approximately \$2,300,000. This was funded mostly by Community Development Block Grants (CDBG) grants and temporarily restricted contributions. These projects consisted of replacing all warehouse floors, reconfiguring and adding to warehouse racking system, renovating warehouse and reception space for Volunteer & Community Center, and installation of a 350kW solar system were completed in January 2016 and June 2016.

At June 30, 2016, the construction in progress relates to construction contracts to renovate their facilities totaling approximately \$700,000. This is being funded mostly by CDBG grants.

**NOTE 6 INVESTMENTS**

Cost and fair value of available for sale securities are as follows:

	2016	
	Cost	Fair Value
Fixed Income		
Corporate Bonds	\$ 318,457	\$ 316,940
Certificates of Deposits	625,005	624,903
Foreign Bonds	100,242	100,309
	1,043,704	1,042,152
Corporate Stocks	107,990	111,100
	\$ 1,151,694	\$ 1,153,252

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**A NONPROFIT ORGANIZATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 INVESTMENTS (Continued)**

	2015	
	Cost	Fair Value
Vanguard Money Market	\$ 355,284	\$ 355,284
Corporate Stocks	41,554	53,123
	\$ 396,838	\$ 408,407

Investment income is included in Other Income on the Consolidated Statements of Activities and consists of the following:

	2016	2015
Interest and Dividends	\$ 5,179	\$ 778
Unrealized (Loss)/Gain	\$ (8,313)	\$ 1,001

**NOTE 7 FAIR VALUE MEASUREMENT**

The Organization follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below.

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.



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**NOTE 7 FAIR VALUE MEASUREMENT (Continued)**

Financial assets and liabilities carried at fair value at June 30, 2016 are classified below in one of three categories described above. The table below presents the balances of assets measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Certificates of Deposits	\$ 624,903	\$ -	\$ -	\$ 624,903
Corporate Bonds	316,940	-	-	316,940
Corporate Stocks	111,100	-	-	111,100
Foreign Bonds	100,309	-	-	100,309
	\$ 1,153,252	\$ -	\$ -	\$ 1,153,252

Financial assets and liabilities carried at fair value at June 30, 2015 are classified below in one of three categories described above. The table below presents the balances of assets measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Corporate Stocks	\$ 53,123	\$ -	\$ -	\$ 53,123
	\$ 53,123	\$ -	\$ -	\$ 53,123

The investments in corporate stocks and fixed income securities are valued at market prices in active markets and are classified as Level 1.

**NOTE 8 ACCRUED LIABILITIES**

Accrued liabilities consist of the following:

	2016	2015
Accrued Payroll	\$ 193,641	\$ 141,350
Accrued Vacation	101,349	93,695
Accrued Other	650	8,251
	\$ 295,640	\$ 235,045

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**NOTE 9 LINE OF CREDIT**

The Organization has a \$1,000,000 line of credit with Wells Fargo. The Organization has not drawn upon the line of credit as of June 30, 2016. The line has a maturity date of June 15, 2017 and bears interest at the Wells Fargo prime rate plus 0.75% (4.25% at June 30, 2016 and 4.00% at June 30, 2015) with a 5% floor. The line of credit is secured by the Organization's inventory and accounts receivable.

**NOTE 10 NET ASSETS**

Net assets consist of the following at June 30:

	2016	2015
Unrestricted:		
Undesignated	\$ 20,158,985	\$ 17,925,378
Temporarily Restricted:		
Backpack Program	602,082	292,624
Solar	105,023	105,023
Hunger Is	94,010	-
Roof	9,299	9,299
Seniors	4,500	4,500
CalFresh	1,332	1,332
City Heights	1,160	14,990
Equipment and Furniture	506	194,692
Facility Improvements	-	351,972
	<u>817,912</u>	<u>974,432</u>
Total Net Assets	<u>\$ 20,976,897</u>	<u>\$ 18,899,810</u>

**NOTE 11 BUSINESS ENTERPRISE**

Business Enterprise revenue consists of the following:

	2016	2015
Non-Cash Food Receipt Contributions		
Donated	\$ 18,059,119	\$ 18,267,352
Government - EFAP	5,090,669	4,481,711
Government - CSFP	2,420,532	2,236,761
	<u>25,570,320</u>	<u>24,985,824</u>
Shared Maintenance Fees	468,464	421,247
	<u>\$ 26,038,784</u>	<u>\$ 25,407,071</u>

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**NOTE 12 SPECIAL EVENTS**

Special event revenues and expenses are directly related to a Gala and Blues Festival and consist of the following for the years ended June 30:

	2016	2015
Revenue:		
Sponsorship	\$ 428,855	\$ 291,584
Ticket Sales	156,777	172,176
Merchandise and Auctions Proceeds	122,564	108,785
Donations	117,922	143,289
Food and Beverage	40,608	66,167
Miscellaneous	-	29,176
	866,726	811,177
Expenses:		
Direct Benefits to Donors	376,150	351,727
Other Expenses	232,856	184,466
	609,006	536,193
Special Events Income	\$ 257,720	\$ 274,984

Special events expenses are included in the Consolidated Statements of Functional Expenses as follows:

	2016	2015
Contract Services	\$ 179,017	\$ 161,086
Equipment Rental	152,941	137,218
Direct Mail and Marketing	127,706	80,462
Supplies	80,654	84,064
Other Fundraising Accounts	34,639	42,757
Printing and Mailing	34,049	30,606
	\$ 609,006	\$ 536,193

**NOTE 13 RETIREMENT PLAN**

The Organization sponsors a 403(b) plan which covers all eligible employees. The Organization makes a matching contribution equal to the lesser of 200% of the employee contribution or 3% of the employee's compensation. The Organization's contribution to the 403(b) for the years ended June 30, 2016 and 2015 was \$92,492 and \$88,502, respectively.

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**NOTE 14 COMMITMENTS**

The Organization leases equipment and trucks under a operating leases that expire between February 2019 and June 2023. Minimum future payments under non-cancelable operating lease having remaining terms in excess of one year for the years ended June 30 are as follows:

2017	\$	70,741
2018		72,300
2019		70,112
2020		65,736
2021		65,736
Thereafter		124,435
		<u>\$ 469,060</u>

Equipment lease expense for the years ended June 30, 2016 and 2015 were approximately \$16,000 and \$11,000, respectively.

**NOTE 15 RELATED PARTIES**

The Organization stored food off-site at a company that an advisory board member has an ownership interest in. During the year ended June 30, 2016, the Organization incurred \$24,287 in storage fees. At June 30, 2016, the Organization owes \$319 to the related party. No transactions occurred during the year ended June 30, 2015.

**NOTE 16 SUBSEQUENT EVENT**

Management has evaluated subsequent events through September 19, 2016, the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the consolidated financial statements.