

**JACOBS & CUSHMAN
SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

**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, 2017 and 2016, 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.

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, 2017 and 2016, 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.

A handwritten signature in black ink, appearing to read "Considine & Considine".

CONSIDINE & CONSIDINE
An Accountancy Corporation

September 27, 2017

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

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	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,809,787	\$ 1,128,547
Accounts Receivable (Note 3)	371,369	160,237
Contributions Receivable	234,650	138,750
Inventory (Note 4)	3,826,589	3,332,558
Investments (Note 6)	1,331,044	1,153,252
	<u>7,573,439</u>	<u>5,913,344</u>
PROPERTY AND EQUIPMENT (Note 5)	15,438,233	15,504,530
OTHER ASSETS		
Other Assets	71,146	49,640
TOTAL ASSETS	<u><u>23,082,818</u></u>	<u><u>21,467,514</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	154,134	171,857
Accrued Liabilities (Note 8)	340,984	295,640
Customer Advances	38,527	33,120
TOTAL LIABILITIES	<u>533,645</u>	<u>500,617</u>
NET ASSETS (Note 10)		
Unrestricted Net Assets	21,513,854	20,148,985
Temporarily Restricted Net Assets	1,035,319	817,912
	<u>22,549,173</u>	<u>20,966,897</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 23,082,818</u></u>	<u><u>\$ 21,467,514</u></u>

See Accompanying Notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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	Unrestricted	Temporarily Restricted	Total
REVENUE			
Business Enterprise (Note 11)	\$ 32,665,609	\$ -	\$ 32,665,609
Private Donations	5,191,687	1,340,564	6,532,251
Government Contracts	1,623,355	-	1,623,355
	<u>39,480,651</u>	<u>1,340,564</u>	<u>40,821,215</u>
Special Events (Note 12)			
Special Events Revenue	972,813	-	972,813
Direct Benefits to Donors	(302,858)	-	(302,858)
	<u>669,955</u>	<u>-</u>	<u>669,955</u>
Net assets released from temporary restrictions	1,123,157	(1,123,157)	-
TOTAL REVENUE	<u>41,273,763</u>	<u>217,407</u>	<u>41,491,170</u>
EXPENSES			
Government Programs	9,637,529	-	9,637,529
Non-Government Programs	27,444,584	-	27,444,584
General and Administrative	619,224	-	619,224
Fundraising	2,196,422	-	2,196,422
	<u>39,897,759</u>	<u>-</u>	<u>39,897,759</u>
	1,376,004	217,407	1,593,411
OTHER INCOME/(EXPENSE)			
Other Income/(Expense)	(11,135)	-	(11,135)
CHANGE IN NET ASSETS	<u>1,364,869</u>	<u>217,407</u>	<u>1,582,276</u>
NET ASSETS, BEGINNING	<u>20,148,985</u>	<u>817,912</u>	<u>20,966,897</u>
NET ASSETS, ENDING	<u><u>\$ 21,513,854</u></u>	<u><u>\$ 1,035,319</u></u>	<u><u>\$ 22,549,173</u></u>

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
REVENUE			
Business Enterprise (Note 11)	\$ 26,141,618	\$ -	\$ 26,141,618
Private Donations	4,111,940	1,414,906	5,526,846
Government Contracts	2,175,671	-	2,175,671
	<u>32,429,229</u>	<u>1,414,906</u>	<u>33,844,135</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)	-
TOTAL REVENUE	<u>34,491,231</u>	<u>(156,520)</u>	<u>34,334,711</u>
EXPENSES			
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>
	2,238,943	(156,520)	2,082,423
OTHER INCOME/(EXPENSE)			
Other Income/(Expense)	(15,336)	-	(15,336)
CHANGE IN NET ASSETS	<u>2,223,607</u>	<u>(156,520)</u>	<u>2,067,087</u>
NET ASSETS, BEGINNING	<u>17,925,378</u>	<u>974,432</u>	<u>18,899,810</u>
NET ASSETS, ENDING	<u><u>\$ 20,148,985</u></u>	<u><u>\$ 817,912</u></u>	<u><u>\$ 20,966,897</u></u>

See Accompanying Notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

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	Government Programs	Non- Government Programs	General and Administrative	Fundraising	Total
EXPENSES					
Administrative Support	\$ 1,196	\$ 231	\$ 2,197	\$ 33	\$ 3,657
Bank Charges	-	5,257	29,693	43,565	78,515
Contract Services	42,922	52,636	13,488	189,918	298,964
Direct Mail and Marketing	-	28,897	6,478	984,906	1,020,281
Dues and Subscriptions	2,047	24,968	17,591	11,530	56,136
Equipment Rental	3,588	5,493	1,473	126,645	137,199
Food Acquisition and Distribution	8,120,034	25,209,600	21,548	8,640	33,359,822
Insurance	12,853	13,603	19,023	2,371	47,850
Meeting Expenses	187	8,431	8,731	6,194	23,543
Warehouse Expenses	84,509	158,754	11,214	9,108	263,585
Personnel Expenses	965,808	1,377,453	405,361	853,362	3,601,984
Printing and Mailing	15,115	38,989	4,375	69,140	127,619
Repairs and Maintenance	24,001	47,405	6,725	13,527	91,658
Supplies	27,253	78,772	13,634	97,765	217,424
Telephone	8,325	14,492	1,113	1,392	25,322
Travel	9,826	19,754	603	17,211	47,394
TOTAL EXPENSES BEFORE DEPRECIATION	9,317,664	27,084,735	563,247	2,435,307	39,400,953
Depreciation	319,865	359,849	55,977	63,973	799,664
TOTAL EXPENSES	9,637,529	27,444,584	619,224	2,499,280	40,200,617
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	(302,858)	(302,858)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 9,637,529</u>	<u>\$ 27,444,584</u>	<u>\$ 619,224</u>	<u>\$ 2,196,422</u>	<u>\$ 39,897,759</u>

See Accompanying Notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
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	Government Programs	Non- Government Programs	General and Administrative	Fundraising	Total
EXPENSES					
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
TOTAL EXPENSES BEFORE DEPRECIATION	8,505,837	20,679,686	531,879	2,189,673	31,907,075
Depreciation	288,545	324,613	50,496	57,709	721,363
TOTAL EXPENSES	8,794,382	21,004,299	582,375	2,247,382	32,628,438
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	-	(376,150)	(376,150)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	\$ 8,794,382	\$ 21,004,299	\$ 582,375	\$ 1,871,232	\$ 32,252,288

See Accompanying Notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

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	2017	2016
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,582,276	\$ 2,067,087
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	799,664	721,363
Loss on Sale of Equipment	43,506	12,742
Unrealized (Gain)/Loss on Investments	(15,253)	8,313
In-Kind Investment Contributions	(74,952)	(115,843)
Change in Contributed Food Inventory	(451,739)	(1,022,825)
Change in Operating Assets and Liabilities:		
Accounts Receivable	(211,132)	416,064
Contributions Receivable	(95,900)	(115,020)
Inventories	(42,292)	269,207
Other Assets	(21,506)	(2,593)
Accounts Payable	(17,723)	(132,590)
Accrued Expenses	45,344	60,595
Customer Advances	5,407	7,226
	(36,576)	106,639
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,545,700	2,173,726
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(777,940)	(1,904,901)
Purchase of Investments	(88,020)	(687,803)
Proceeds on Sale of Equipment	1,500	4,000
	(864,460)	(2,588,704)
NET INCREASE/(DECREASE) IN CASH	681,240	(414,978)
CASH, BEGINNING	1,128,547	1,543,525
CASH, ENDING	\$ 1,809,787	\$ 1,128,547
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	\$ -	\$ -
Taxes Paid	\$ -	\$ -

See Accompanying Notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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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 400 nonprofit hunger relief organizations, Jacobs & Cushman San Diego Food Bank distributes approximately 26 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
JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016.

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, 2017 and 2016, the USDA Emergency Food Assistance Program food product prices averaged \$0.67 and \$0.58 per pound, respectively, and USDA Commodity Supplemental Food Program food product prices averaged \$0.64 and \$0.66 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, 2017 and 2016.

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
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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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, 2017 and 2016, 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 2016 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:

	2017	2016
Government Contracts Receivable	\$ 349,647	\$ 140,488
Marketplace Food Purchases	20,039	13,998
Other Receivables	1,683	5,751
	<u>\$ 371,369</u>	<u>\$ 160,237</u>

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, 2017 and 2016.

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, 2017 and 2016, respectively.

NOTE 4 INVENTORY

Inventory consists of the following:

	2017	2016
Marketplace		
Donated	\$ 1,912,514	\$ 1,523,581
Purchased	180,792	138,500
	<u>2,093,306</u>	<u>1,662,081</u>
EFAP Government Contract	1,185,147	1,109,005
CSFP Government Contract	548,136	561,472
	<u>\$ 3,826,589</u>	<u>\$ 3,332,558</u>

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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:

	2017	2016
Building Improvements	\$ 7,287,852	\$ 6,461,184
Building	5,578,840	5,578,840
Land	4,378,000	4,378,000
Warehouse Equipment	1,089,443	1,211,683
Transportation Equipment	532,844	532,844
Furniture and Office Equipment	356,624	335,367
	<u>19,223,603</u>	<u>18,497,918</u>
Accumulated Depreciation	<u>(3,785,370)</u>	<u>(3,069,286)</u>
	15,438,233	15,428,632
Construction in Progress	-	75,898
	<u>\$ 15,438,233</u>	<u>\$ 15,504,530</u>

Depreciation expense was \$799,664 and \$721,363 for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2016, the construction in progress related to construction contracts to renovate their facilities totaling approximately \$750,000. This was funded mostly by CDBG grants. These were completed in April 2017.

NOTE 6 INVESTMENTS

The Organization invests funds in a professionally managed portfolio that may include various types of fixed income investments. Some of these investments are exposed to various risks, such as fluctuations in market value, interest rate, or credit risk. Therefore, the Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Investments recorded at cost included certificates of deposit. Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

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NOTE 6 INVESTMENTS (Continued)

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

	2017	
	Cost	Fair Value
Fixed Income		
Corporate Bonds	\$ 227,777	\$ 227,722
Certificates of Deposits	923,182	923,182
	<u>1,150,959</u>	<u>1,150,904</u>
Corporate Stocks	151,937	174,101
Mutual Funds	5,387	6,039
	<u>\$ 1,308,283</u>	<u>\$ 1,331,044</u>

	2016	
	Cost	Fair Value
Fixed Income		
Corporate Bonds	\$ 318,457	\$ 316,940
Certificates of Deposits	625,005	624,903
Foreign Bonds	100,309	100,309
	<u>1,043,771</u>	<u>1,042,152</u>
Corporate Stocks	107,990	111,100
	<u>\$ 1,151,761</u>	<u>\$ 1,153,252</u>

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

	2017	2016
Interest and Dividends	\$ 18,949	\$ 5,179
Unrealized Gain/(Loss)	\$ 15,253	\$ (8,313)

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 FAIR VALUE MEASUREMENT (Continued)

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.

Financial assets and liabilities carried at fair value at June 30, 2017 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 Bonds	\$ 227,722	\$ -	\$ -	\$ 227,722
Corporate Stocks	174,101	-	-	174,101
Mutual Funds	6,039	-	-	6,039
	<u>\$ 407,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,862</u>

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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				
Corporate Bonds	\$ 316,940	\$ -	\$ -	\$ 316,940
Corporate Stocks	111,100	-	-	111,100
Foreign Bonds	100,309	-	-	100,309
	<u>\$ 528,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,349</u>

The tables above exclude investments in certificates of deposits which are accounted for on the cost basis of \$923,182 and \$624,903 at June 30, 2017 and 2016, respectively, which are not subject to ASC 820.

The investments in corporate stocks, bonds 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:

	2017	2016
Accrued Payroll	\$ 207,841	\$ 194,291
Accrued Vacation	132,643	101,349
Accrued Other	500	650
	<u>\$ 340,984</u>	<u>\$ 295,640</u>

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, 2017. The line has a maturity date of August 15, 2018 and bears interest at the Wells Fargo prime rate plus 0.75% (5.00% at June 30, 2017 and 4.25% at June 30, 2016) with a 5% floor. The line of credit is secured by the Organization's inventory and accounts receivable.

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NOTE 10 NET ASSETS

Net assets consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Unrestricted:		
Undesignated	\$ 21,513,854	\$ 20,148,985
Temporarily Restricted:		
Backpack Program	793,251	602,082
Solar	105,023	105,023
Hunger Is	86,563	94,010
Farm to Family	42,762	-
Mid City	7,559	1,160
Roof	161	9,299
Seniors	-	4,500
CalFresh	-	1,332
Equipment and Furniture	-	506
	<u>1,035,319</u>	<u>817,912</u>
Total Net Assets	<u><u>\$ 22,549,173</u></u>	<u><u>\$ 20,966,897</u></u>

NOTE 11 BUSINESS ENTERPRISE

Business Enterprise revenue consists of the following:

	<u>2017</u>	<u>2016</u>
Non-Cash Food Receipt Contributions		
Donated	\$ 23,957,692	\$ 18,059,119
Government - EFAP	5,569,524	5,090,669
Government - CSFP	2,356,217	2,420,532
	<u>31,883,433</u>	<u>25,570,320</u>
Shared Maintenance Fees	461,475	468,464
Recycling and Energy Rebate	320,701	102,834
	<u><u>\$ 32,665,609</u></u>	<u><u>\$ 26,141,618</u></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:

	2017	2016
Revenue:		
Sponsorship	\$ 514,830	\$ 428,855
Donations	154,260	117,922
Ticket Sales	145,777	156,777
Merchandise and Auctions Proceeds	106,910	122,564
Food and Beverage	51,036	40,608
	<u>972,813</u>	<u>866,726</u>
Expenses:		
Direct Benefits to Donors	302,858	376,150
Other Expenses	237,939	232,856
	<u>540,797</u>	<u>609,006</u>
Special Events Income	<u>\$ 432,016</u>	<u>\$ 257,720</u>

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

	2017	2016
Contract Services	\$ 168,446	\$ 179,017
Direct Mail and Marketing	130,924	127,706
Equipment Rental	118,840	152,941
Supplies	66,505	80,654
Other Fundraising Accounts	31,744	34,639
Printing and Mailing	24,338	34,049
	<u>\$ 540,797</u>	<u>\$ 609,006</u>

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, 2017 and 2016 was \$113,325 and \$92,492, 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:

2018	\$	72,300
2019		70,112
2020		65,736
2021		65,736
2022		65,736
Thereafter		58,699
	\$	<u>398,319</u>

Equipment lease expense for the years ended June 30, 2017 and 2016 were approximately \$72,000 and \$16,000, 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, 2017.

NOTE 16 SUBSEQUENT EVENT

Management has evaluated subsequent events through September 27, 2017, 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.