

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

	Pages
I. Index	1
II. Independent auditor's report	2 - 3
III. Consolidated statements of financial position	4
IV. Consolidated statements of activities	5 - 6
V. Consolidated statements of functional expenses	7 - 8
VI. Consolidated statements of cash flows	9
VII. Notes to the consolidated financial statements	10 - 18

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CERTIFIED PUBLIC ACCOUNTANTS

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, 2018 and 2017, 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.

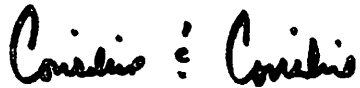
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2018 and 2017, and the changes in their net assets and their 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

October 12, 2018

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

Page 4

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,099,624	\$ 1,809,787
Accounts receivable (note 3)	583,305	371,369
Contributions receivable	268,960	234,650
Inventory (note 4)	3,620,455	3,826,589
Certificates of Deposit	1,228,361	227,722
Investments (note 6)	-	923,182
Prepaid expenses and other current assets	121,154	60,637
	7,921,859	7,453,936
PROPERTY AND EQUIPMENT (note 5)	15,066,601	15,438,233
NONCURRENT ASSETS		
Investments (note 6)	295,996	180,140
Other assets	10,509	10,509
	306,505	190,649
TOTAL ASSETS	23,294,965	23,082,818
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	341,404	154,134
Accrued liabilities (note 8)	385,385	340,984
Customer advances	34,548	38,527
	761,337	533,645
TOTAL LIABILITIES	761,337	533,645
NET ASSETS (note 10)		
Unrestricted	20,899,135	21,513,854
Temporarily restricted	1,634,493	1,035,319
	22,533,628	22,549,173
TOTAL NET ASSETS	22,533,628	22,549,173
TOTAL LIABILITIES AND NET ASSETS	\$ 23,294,965	\$ 23,082,818

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Page 5

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Business enterprise (note 11)	\$ 35,528,866	\$ -	\$ 35,528,866
Private donations	4,367,907	1,853,726	6,221,633
Government contracts	2,106,601	-	2,106,601
	42,003,374	1,853,726	43,857,100
Special events (note 12)			
Special events revenue	1,232,732	-	1,232,732
Direct benefits to donors	(256,545)	-	(256,545)
	976,187	-	976,187
NET ASSET RESTRICTION TRANSFERS			
Revenue released from restriction	1,254,552	(1,254,552)	-
TOTAL REVENUE	44,234,113	599,174	44,833,287
EXPENSES			
Program services:			
Government programs	9,252,358	-	9,252,358
Non-Government programs	32,497,222	-	32,497,222
Total program services	41,749,580	-	41,749,580
Supporting services:			
Management and general	632,999	-	632,999
Fundraising	2,510,367	-	2,510,367
Total supporting services	3,143,366	-	3,143,366
	44,892,946	-	44,892,946
OTHER INCOME/(EXPENSE)			
Other income	44,114	-	44,114
CHANGE IN NET ASSETS	(614,719)	599,174	(15,545)
NET ASSETS, BEGINNING OF YEAR	21,513,854	1,035,319	22,549,173
NET ASSETS, END OF YEAR	\$ 20,899,135	\$ 1,634,493	\$ 22,533,628

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Page 6

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Support from the public:			
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
	39,480,651	1,340,564	40,821,215
Special events (note 12)			
Special events revenue	972,813	-	972,813
Direct benefits to donors	(302,858)	-	(302,858)
	669,955	-	669,955
NET ASSET RESTRICTION TRANSFERS			
Revenue released from restriction	1,123,157	(1,123,157)	-
	1,123,157	(1,123,157)	-
TOTAL REVENUE	41,273,763	217,407	41,491,170
EXPENSES			
Program services:			
Government programs	9,637,529	-	9,637,529
Non-Government programs	27,444,584	-	27,444,584
Total program services	37,082,113	-	37,082,113
Supporting services:			
Management and general	619,224	-	619,224
Fundraising	2,196,422	-	2,196,422
Total supporting services	2,815,646	-	2,815,646
	39,897,759	-	39,897,759
OTHER INCOME/(EXPENSE)			
Other expense	(11,135)	-	(11,135)
	(11,135)	-	(11,135)
CHANGE IN NET ASSETS	1,364,869	217,407	1,582,276
NET ASSETS, BEGINNING OF YEAR	20,148,985	817,912	20,966,897
NET ASSETS, END OF YEAR	\$ 21,513,854	\$ 1,035,319	\$ 22,549,173

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			Total
	Government Programs	Non- Government Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Administrative support	\$ -	\$ -	\$ -	\$ 2,390	\$ -	\$ 2,390	\$ 2,390
Bank charges	-	2,172	2,172	25,479	57,089	82,568	84,740
Contract services	54,583	43,642	98,225	24,441	321,818	346,259	444,484
Depreciation and amortization	324,596	365,171	689,767	56,805	64,919	121,724	811,491
Direct mail and marketing	14,921	39,263	54,184	7,011	1,114,754	1,121,765	1,175,949
Dues and subscriptions	2,066	27,910	29,976	7,152	17,780	24,932	54,908
Equipment rental	3,411	5,381	8,792	2,038	64,929	66,967	75,759
Food acquisition and distribution	7,684,207	30,094,358	37,778,565	10,115	15,037	25,152	37,803,717
Insurance	12,068	16,853	28,921	15,510	3,443	18,953	47,874
Meeting expenses	106	7,442	7,548	5,809	9,396	15,205	22,753
Personnel expenses	963,034	1,452,735	2,415,769	451,829	893,067	1,344,896	3,760,665
Printing and mailing	23,380	32,383	55,763	3,219	55,501	58,720	114,483
Repairs and maintenance	38,146	56,126	94,272	5,059	17,162	22,221	116,493
Supplies	32,005	153,401	185,406	5,919	97,021	102,940	288,346
Telephone	7,642	15,176	22,818	1,081	1,376	2,457	25,275
Travel	9,955	18,172	28,127	265	19,574	19,839	47,966
Warehouse expenses	82,238	167,037	249,275	8,877	14,046	22,923	272,198
	9,252,358	32,497,222	41,749,580	632,999	2,766,912	3,399,911	45,149,491
Less: Direct benefits to donors at special events included in revenue	-	-	-	-	(256,545)	(256,545)	(256,545)
Total expenses included in the expense section of the statement of activities	\$ 9,252,358	\$ 32,497,222	\$ 41,749,580	\$ 632,999	\$ 2,510,367	\$ 3,143,366	\$ 44,892,946

See accompanying notes

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

	Program Services			Supporting Services			Total
	Government Programs	Non- Government Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Administrative support	\$ 1,196	\$ 231	\$ 1,427	\$ 2,197	\$ -	\$ 2,197	\$ 3,624
Bank charges	-	5,257	5,257	29,693	43,565	73,258	78,515
Contract services	42,922	52,636	95,558	13,488	189,918	203,406	298,964
Depreciation and amortization	319,865	359,849	679,714	55,977	63,973	119,950	799,664
Direct mail and marketing	-	28,897	28,897	6,478	984,906	991,384	1,020,281
Dues and subscriptions	2,047	24,968	27,015	17,591	11,530	29,121	56,136
Equipment rental	3,588	5,493	9,081	1,473	126,645	128,118	137,199
Food acquisition and distribution	8,120,034	25,209,600	33,329,634	21,548	8,640	30,188	33,359,822
Insurance	12,853	13,603	26,456	19,023	2,371	21,394	47,850
Meeting expenses	187	8,431	8,618	8,731	6,194	14,925	23,543
Personnel expenses	965,808	1,377,453	2,343,261	405,361	853,395	1,258,756	3,602,017
Printing and mailing	15,115	38,989	54,104	4,375	69,140	73,515	127,619
Repairs and maintenance	24,001	47,405	71,406	6,725	13,527	20,252	91,658
Supplies	27,253	78,772	106,025	13,634	97,765	111,399	217,424
Telephone	8,325	14,492	22,817	1,113	1,392	2,505	25,322
Travel	9,826	19,754	29,580	603	17,211	17,814	47,394
Warehouse expenses	84,509	158,754	243,263	11,214	9,108	20,322	263,585
	<u>9,637,529</u>	<u>27,444,584</u>	<u>37,082,113</u>	<u>619,224</u>	<u>2,499,280</u>	<u>3,118,504</u>	<u>40,200,617</u>
Less: Direct benefits to donors at special events included in revenue	-	-	-	-	(302,858)	(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>\$ 37,082,113</u>	<u>\$ 619,224</u>	<u>\$ 2,196,422</u>	<u>\$ 2,815,646</u>	<u>\$ 39,897,759</u>

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Page 9

	2018	2017
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (15,545)	\$ 1,582,276
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	811,491	799,664
Loss on disposal of equipment	-	43,506
Net realized and unrealized investment gain	(12,565)	(15,253)
In-kind investment contributions	(102,660)	(74,952)
Change in contributed food inventory	268,214	(239,907)
Change in operating assets and liabilities:		
Accounts receivable	(211,936)	(211,132)
Contributions receivable	(34,310)	(95,900)
Inventories	(62,080)	(254,124)
Prepaid expenses and other current assets	(60,517)	(21,506)
Accounts payable	187,270	(17,723)
Accrued expenses	44,401	45,344
Customer advances	(3,979)	5,407
NET CASH PROVIDED BY OPERATING ACTIVITIES	807,784	1,545,700
CASH FLOWS USED BY INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	(439,859)	(777,940)
Cash paid for purchases of investments	(78,088)	(88,020)
Proceeds on sale of equipment	-	1,500
	(517,947)	(864,460)
NET INCREASE IN CASH	289,837	681,240
CASH, BEGINNING OF YEAR	1,809,787	1,128,547
CASH, END OF YEAR	\$ 2,099,624	\$ 1,809,787
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, 2018 AND 2017**

Page 10

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 28 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.

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, 2018 and 2017, there were no permanently restricted net assets.

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Page 11

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, 2018 and 2017.

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, 2018 and 2017, the USDA Emergency Food Assistance Program food product prices averaged \$0.67 per pound and USDA Commodity Supplemental Food Program food product prices averaged \$0.68 and \$0.64 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, 2018 and 2017.

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.

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.

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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. For the years ended June 30, 2018 and 2017 program expenses were 93.00% and 92.94%, management and general were 1.41% and 1.55%, and fundraising were 5.59% and 5.51%, respectively.

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, 2018 and 2017, 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.

Reclassifications – Certain reclassifications have been made to the 2017 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:

	2018	2017
Government contracts receivable	\$ 553,005	\$ 349,647
Marketplace food purchases	29,894	20,039
Other receivables	406	1,683
	\$ 583,305	\$ 371,369

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, 2018 and 2017.

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, 2018 and 2017, respectively.

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 INVENTORY

Inventory consists of the following:

	2018	2017
Marketplace		
Donated	\$ 1,975,806	\$ 1,912,514
Purchased	211,832	180,792
	2,187,638	2,093,306
EFAP Government contract	888,000	1,185,147
CSFP Government contract	544,817	548,136
	\$ 3,620,455	\$ 3,826,589

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2018	2017
Building improvements	\$ 7,295,463	\$ 7,287,852
Building	5,578,840	5,578,840
Land	4,378,000	4,378,000
Warehouse equipment	1,173,283	1,089,443
Transportation equipment	799,682	532,844
Furniture and office equipment	438,194	356,624
	19,663,462	19,223,603
Accumulated depreciation	(4,596,861)	(3,785,370)
	\$ 15,066,601	\$ 15,438,233

Depreciation expense was \$811,491 and \$799,664 for the years ended June 30, 2018 and 2017, respectively.

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.

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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

	2018	
	Cost	Fair Value
Corporate stocks	\$ 248,653	\$ 273,633
Mutual funds	15,055	22,363
	\$ 263,708	\$ 295,996

	2017	
	Cost	Fair Value
Corporate bonds	\$ 923,878	\$ 923,182
Corporate stocks	151,937	174,101
Mutual funds	5,387	6,039
	\$ 151,937	\$ 174,101

Investment income is included in other income on the consolidated statements of activities and consists of the following:

	2018	2017
Interest and dividends	\$ 26,403	\$ 18,949
Unrealized gain	\$ 12,565	\$ 15,253

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.

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Financial assets and liabilities carried at fair value at June 30, 2018 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments				
Corporate stocks	\$ 273,633	\$ -	\$ -	\$ 273,633
Mutual funds	22,363	-	-	22,363
	<u>\$ 295,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,996</u>

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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Investments				
Corporate bonds	\$ 923,182	\$ -	\$ -	\$ 923,182
Corporate stocks	174,101	-	-	174,101
Mutual funds	6,039	-	-	6,039
	<u>\$ 1,103,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103,322</u>

The tables above exclude investments in certificates of deposits which are accounted for on the cost basis of \$1,228,361 and \$227,722 at June 30, 2018 and 2017, respectively, which are not subject to ASC 820.

The investments in corporate stocks, bonds and mutual funds are valued at market prices in active markets and are classified as level 1.

NOTE 8 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	<u>2018</u>	<u>2017</u>
Accrued payroll	\$ 232,927	\$ 203,525
Accrued vacation	151,758	132,643
Accrued other	700	4,816
	<u>\$ 385,385</u>	<u>\$ 340,984</u>

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Page 16

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, 2018 and 2017. The line has a maturity date of November 13, 2018 and bears interest at the Wells Fargo prime rate plus 0.75% (5.75% at June 30, 2018 and 5.00% at June 30, 2017) 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:

	<u>2018</u>	<u>2017</u>
Unrestricted:		
Undesignated	\$ 20,899,135	\$ 21,513,854
Temporarily Restricted:		
Backpack program	1,423,361	793,251
Solar	100,823	105,023
College hunger relief & grab-n-go pantries	52,946	-
Disaster relief	38,194	-
Diaper bank	18,936	-
Roof	161	161
Operation gobble	72	-
Hunger Is	-	86,563
Farm to family	-	42,762
Mid city	-	7,559
	<u>1,634,493</u>	<u>1,035,319</u>
Total net assets	<u>\$ 22,533,628</u>	<u>\$ 22,549,173</u>

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 11 BUSINESS ENTERPRISE

Business enterprise revenue consists of the following:

	<u>2018</u>	<u>2017</u>
Non-cash food receipt contributions		
Donated	\$ 27,938,935	\$ 23,957,692
Government - EFAP	4,442,119	5,569,524
Government - CSFP	<u>2,706,442</u>	<u>2,356,217</u>
	35,087,496	31,883,433
Shared maintenance fees	427,658	461,475
Recycling and energy rebate	<u>13,712</u>	<u>320,701</u>
	<u><u>\$ 35,528,866</u></u>	<u><u>\$ 32,665,609</u></u>

NOTE 12 SPECIAL EVENTS

Special event revenues and expenses are directly related to several events including a gala, blues festival and golf tournament and consist of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Revenue		
Sponsorship	\$ 663,088	\$ 514,830
Ticket sales	210,755	145,777
Donations	171,563	154,260
Merchandise and auctions proceeds	130,018	106,910
Food and beverage	<u>57,308</u>	<u>51,036</u>
	1,232,732	972,813
Expenses:		
Direct benefits to donors	256,545	302,858
Other expenses	<u>375,551</u>	<u>237,939</u>
	<u>632,096</u>	<u>540,797</u>
Total net assets	<u><u>\$ 600,636</u></u>	<u><u>\$ 432,016</u></u>

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Special events expenses are included in the consolidated statements of functional expenses as follows:

	2018	2017
Contract services	\$ 296,143	\$ 168,446
Direct mail and marketing	124,819	130,924
Supplies	92,729	66,505
Equipment rental	62,827	118,840
Other fundraising accounts	36,010	31,744
Printing and mailing	19,568	24,338
	\$ 632,096	\$ 540,797

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, 2018 and 2017 was \$121,077 and \$113,325, respectively.

NOTE 14 COMMITMENTS

The Organization leases equipment and trucks under an 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:

	2019	\$ 77,912
	2020	81,336
	2021	81,336
	2022	81,336
	2023	60,005
		\$ 381,925

Equipment lease expense for the years ended June 30, 2018 and 2017 were approximately \$80,000 and \$16,000, respectively.

NOTE 15 SUBSEQUENT EVENT

Management has evaluated subsequent events through October 12, 2018, 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.