

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**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, 2021 and 2020, 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.

Earning Your Trust Since 1946

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, 2021 and 2020, 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.

A handwritten signature in dark ink that reads "Considine & Considine". The signature is written in a cursive, flowing style.

CONSIDINE & CONSIDINE
An Accountancy Corporation

April 12, 2022

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

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| | 2021 | 2020 |
|---|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,626,105 | \$ 2,579,695 |
| Certificates of deposit | 400,007 | 1,200,000 |
| Investments (note 6) | 31,938,178 | 10,751,185 |
| Accounts receivable (note 3) | 1,183,129 | 2,034,339 |
| Contributions receivable | 57,000 | 171,522 |
| Inventory (note 4) | 8,322,582 | 4,859,973 |
| Prepaid expenses and other current assets | 171,525 | 202,161 |
| | 43,698,526 | 21,798,875 |
| PROPERTY AND EQUIPMENT (note 5) | 15,998,658 | 15,173,952 |
| NONCURRENT ASSETS | | |
| Certificates of deposit | 1,051,007 | 1,851,013 |
| Other assets | 96,428 | 49,172 |
| | 1,147,435 | 1,900,185 |
| TOTAL ASSETS | 60,844,619 | 38,873,012 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 932,731 | 844,642 |
| Accrued liabilities (note 8) | 710,246 | 681,280 |
| Customer advances | 130,482 | 94,619 |
| TOTAL LIABILITIES | 1,773,459 | 1,620,541 |
| NET ASSETS (note 10) | | |
| Without donor restrictions | 57,012,551 | 34,716,770 |
| With donor restrictions | 2,058,609 | 2,535,701 |
| TOTAL NET ASSETS | 59,071,160 | 37,252,471 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 60,844,619 | \$ 38,873,012 |

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

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| | Without donor Restrictions | With donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| REVENUES, GAINS AND OTHER SUPPORT | | | |
| Support from the public: | | | |
| Business enterprise (note 12) | \$ 80,798,792 | \$ - | \$ 80,798,792 |
| Private donations | 31,674,946 | 1,491,442 | 33,166,388 |
| Government contracts | 10,838,132 | - | 10,838,132 |
| Inkind contributions | 30,000 | - | 30,000 |
| | 123,341,870 | 1,491,442 | 124,833,312 |
| Special events (note 13) | | | |
| Special events revenue | 751,541 | - | 751,541 |
| Direct benefits to donors | (148,314) | - | (148,314) |
| | 603,227 | - | 603,227 |
| NET ASSET RESTRICTION TRANSFERS | | | |
| Revenue released from restriction | 1,968,534 | (1,968,534) | - |
| TOTAL REVENUE | 125,913,631 | (477,092) | 125,436,539 |
| EXPENSES | | | |
| Program services: | | | |
| Government programs | 28,345,999 | - | 28,345,999 |
| Non-Government programs | 72,181,219 | - | 72,181,219 |
| Total program services | 100,527,218 | - | 100,527,218 |
| Supporting services: | | | |
| Management and general | 1,007,140 | - | 1,007,140 |
| Fundraising | 4,651,726 | - | 4,651,726 |
| Total supporting services | 5,658,866 | - | 5,658,866 |
| | 106,186,084 | - | 106,186,084 |
| OTHER INCOME | | | |
| Investment return | 2,554,532 | - | 2,554,532 |
| Other income | 13,702 | - | 13,702 |
| | 2,568,234 | - | 2,568,234 |
| CHANGE IN NET ASSETS | 22,295,781 | (477,092) | 21,818,689 |
| NET ASSETS, BEGINNING OF YEAR | 34,716,770 | 2,535,701 | 37,252,471 |
| NET ASSETS, END OF YEAR | \$ 57,012,551 | \$ 2,058,609 | \$ 59,071,160 |

See accompanying notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

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| | Without donor Restrictions | With donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| REVENUES, GAINS AND OTHER SUPPORT | | | |
| Support from the public: | | | |
| Business enterprise (note 12) | 55,170,448 | \$ - | \$ 55,170,448 |
| Private donations | 18,200,745 | 3,043,451 | 21,244,196 |
| Government contracts | 4,757,258 | 500,149 | 5,257,407 |
| Inkind contributions | 40,000 | - | 40,000 |
| | 78,168,451 | 3,543,600 | 81,712,051 |
| Special events (note 13) | | | |
| Special events revenue | 1,050,154 | - | 1,050,154 |
| Direct benefits to donors | (190,266) | - | (190,266) |
| | 859,888 | - | 859,888 |
| NET ASSET RESTRICTION TRANSFERS | | | |
| Revenue released from restriction | 3,080,921 | (3,080,921) | - |
| TOTAL REVENUE | 82,109,260 | 462,679 | 82,571,939 |
| EXPENSES | | | |
| Program services: | | | |
| Government programs | 22,245,292 | - | 22,245,292 |
| Non-Government programs | 44,388,163 | - | 44,388,163 |
| Total program services | 66,633,455 | - | 66,633,455 |
| Supporting services: | | | |
| Management and general | 830,971 | - | 830,971 |
| Fundraising | 3,437,553 | - | 3,437,553 |
| Total supporting services | 4,268,524 | - | 4,268,524 |
| | 70,901,979 | - | 70,901,979 |
| OTHER INCOME | | | |
| Investment return | 294,359 | - | 294,359 |
| Other income | 29,424 | - | 29,424 |
| | 323,783 | - | 323,783 |
| CHANGE IN NET ASSETS | 11,531,064 | 462,679 | 11,993,743 |
| NET ASSETS, BEGINNING OF YEAR | 23,185,706 | 2,073,022 | 25,258,728 |
| NET ASSETS, END OF YEAR | \$ 34,716,770 | \$ 2,535,701 | \$ 37,252,471 |

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

| | Program Services | | | Supporting Services | | | Total |
|---|------------------------|--------------------------------|------------------------------|---------------------------|--------------|---------------------------------|----------------|
| | Government Programs | Non- Government Programs | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Administrative support | \$ 56 | \$ 844 | \$ 900 | \$ 2,915 | \$ - | \$ 2,915 | \$ 3,815 |
| Bank charges | - | 2,663 | 2,663 | 47,218 | 324,379 | 371,597 | 374,260 |
| Contract services | 175,844 | 276,563 | 452,407 | 67,391 | 288,879 | 356,270 | 808,677 |
| Depreciation and amortization | 366,709 | 573,094 | 939,803 | 82,537 | 88,898 | 171,435 | 1,111,238 |
| Direct mail and marketing | - | 58,703 | 58,703 | 2,210 | 2,649,430 | 2,651,640 | 2,710,343 |
| Dues and subscriptions | 1,824 | 30,214 | 32,038 | 10,262 | 19,599 | 29,861 | 61,899 |
| Equipment rental | 28,824 | 26,929 | 55,753 | 3,889 | 8,022 | 11,911 | 67,664 |
| Food acquisition and distribution | 25,488,713 | 65,721,249 | 91,209,962 | 4,137 | 4,702 | 8,839 | 91,218,801 |
| Grant expense | - | 1,752,516 | 1,752,516 | - | - | - | 1,752,516 |
| Insurance | 11,729 | 20,246 | 31,975 | 22,861 | 3,009 | 25,870 | 57,845 |
| Meeting expenses | 24 | 1,264 | 1,288 | 12,254 | 1,924 | 14,178 | 15,466 |
| Personnel expenses | 1,580,223 | 2,360,351 | 3,940,574 | 646,624 | 1,190,644 | 1,837,268 | 5,777,842 |
| Printing and mailing | 35,915 | 65,727 | 101,642 | 7,224 | 69,576 | 76,800 | 178,442 |
| Repairs and maintenance | 119,724 | 247,829 | 367,553 | 29,583 | 41,706 | 71,289 | 438,842 |
| Supplies | 50,503 | 293,093 | 343,596 | 27,740 | 81,336 | 109,076 | 452,672 |
| Telephone | 14,375 | 30,805 | 45,180 | 8,155 | 3,132 | 11,287 | 56,467 |
| Travel | 12,722 | 10,409 | 23,131 | 203 | 1,731 | 1,934 | 25,065 |
| Warehouse expenses | 458,814 | 708,720 | 1,167,534 | 31,937 | 23,073 | 55,010 | 1,222,544 |
| | 28,345,999 | 72,181,219 | 100,527,218 | 1,007,140 | 4,800,040 | 5,807,180 | 106,334,398 |
| Less: Direct benefits to donors at special events included in revenue | - | - | - | - | (148,314) | (148,314) | (148,314) |
| Total expenses included in the expense section of the statement of activities | \$ 28,345,999 | \$ 72,181,219 | \$ 100,527,218 | \$ 1,007,140 | \$ 4,651,726 | \$ 5,658,866 | \$ 106,186,084 |

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

| | Program Services | | | Supporting Services | | | Total |
|---|---------------------|-------------------------|------------------------|------------------------|--------------|---------------------------|---------------|
| | Government Programs | Non-Government Programs | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Administrative support | \$ - | \$ 681 | \$ 681 | \$ 3,037 | \$ - | \$ 3,037 | \$ 3,718 |
| Bank charges | - | 4,655 | 4,655 | 28,640 | 178,395 | 207,035 | 211,690 |
| Contract services | 148,851 | 100,551 | 249,402 | 45,694 | 276,933 | 322,627 | 572,029 |
| Depreciation and amortization | 470,853 | 298,811 | 769,664 | 63,839 | 71,984 | 135,823 | 905,487 |
| Direct mail and marketing | - | 42,848 | 42,848 | 5,667 | 1,568,337 | 1,574,004 | 1,616,852 |
| Dues and subscriptions | 1,507 | 29,037 | 30,544 | 21,308 | 11,359 | 32,667 | 63,211 |
| Equipment rental | 13,669 | 37,877 | 51,546 | 1,362 | 56,778 | 58,140 | 109,686 |
| Food acquisition and distribution | 19,414,946 | 40,599,927 | 60,014,873 | 7,080 | 5,492 | 12,572 | 60,027,445 |
| Grant expense | - | 570,000 | 570,000 | - | - | - | 570,000 |
| Insurance | 15,241 | 12,033 | 27,274 | 19,525 | 4,629 | 24,154 | 51,428 |
| Meeting expenses | 2,752 | 7,357 | 10,109 | 20,749 | 22,756 | 43,505 | 53,614 |
| Personnel expenses | 1,442,436 | 1,913,387 | 3,355,823 | 538,238 | 1,127,440 | 1,665,678 | 5,021,501 |
| Printing and mailing | 35,852 | 50,177 | 86,029 | 7,468 | 119,749 | 127,217 | 213,246 |
| Repairs and maintenance | 200,930 | 138,732 | 339,662 | 13,903 | 20,877 | 34,780 | 374,442 |
| Supplies | 79,526 | 326,389 | 405,915 | 20,009 | 122,665 | 142,674 | 548,589 |
| Telephone | 12,880 | 17,782 | 30,662 | 4,849 | 1,836 | 6,685 | 37,347 |
| Travel | 15,762 | 32,629 | 48,391 | 16,537 | 23,861 | 40,398 | 88,789 |
| Warehouse expenses | 390,087 | 205,290 | 595,377 | 13,066 | 14,728 | 27,794 | 623,171 |
| | 22,245,292 | 44,388,163 | 66,633,455 | 830,971 | 3,627,819 | 4,458,790 | 71,092,245 |
| Less: Direct benefits to donors at special events included in revenue | - | - | - | - | (190,266) | (190,266) | (190,266) |
| Total expenses included in the expense section of the statement of activities | \$ 22,245,292 | \$ 44,388,163 | \$ 66,633,455 | \$ 830,971 | \$ 3,437,553 | \$ 4,268,524 | \$ 70,901,979 |

See accompanying notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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| | 2021 | 2020 |
|--|---------------|---------------|
| CASH FLOWS PROVIDED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 21,818,689 | \$ 11,993,743 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation expense | 1,111,238 | 905,487 |
| Gain on disposal of equipment | (12,502) | - |
| Net realized and unrealized investment gain | (2,230,042) | (186,636) |
| In-kind investment contributions | (557,558) | (280,676) |
| Change in contributed food inventory | (2,288,317) | 1,744,457 |
| Change in operating assets and liabilities: | | |
| Accounts receivable | 851,210 | (1,369,399) |
| Contributions receivable | 114,522 | 57,512 |
| Inventories | (1,174,292) | (1,535,010) |
| Prepaid expenses and other current assets | (16,620) | (116,149) |
| Accounts payable | 88,089 | 540,856 |
| Accrued expenses | 28,966 | 173,781 |
| Customer advances | 35,863 | 69,808 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 17,769,246 | 11,997,774 |
| CASH FLOWS USED BY INVESTING ACTIVITIES | | |
| Cash paid for purchases of fixed assets | (1,935,942) | (1,673,104) |
| Cash paid for purchases of investments | (31,542,677) | (14,701,674) |
| Proceeds on sale of investments | 14,743,283 | 6,418,831 |
| Proceeds on sale of equipment | 12,500 | - |
| | (18,722,836) | (9,955,947) |
| NET INCREASE/(DECREASE) IN CASH | (953,590) | 2,041,827 |
| CASH, BEGINNING OF YEAR | 2,579,695 | 537,868 |
| CASH, END OF YEAR | \$ 1,626,105 | \$ 2,579,695 |
| 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, 2021 AND 2020

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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 assistance and resources 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 500 nonprofit hunger-relief organizations, Jacobs & Cushman San Diego Food Bank distributes approximately 43 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.

Financial statement presentation – The Organization follows the Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which requires that net assets, support, revenue and gains, expenses and losses be classified as without donor restrictions or with donor restriction.

Net assets without restrictions – Net assets without restrictions 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.

Net assets with restrictions – Net assets with restrictions 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.

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

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A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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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, 2021 and 2020.

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, 2021 and 2020, the USDA Emergency Food Assistance Program food product prices averaged \$1.06 and \$0.98 per pound, respectively, and USDA Commodity Supplemental Food Program food product prices averaged \$0.87 and \$0.75 per pound, respectively. All other contributed food items are valued using an average cost based on the industry standard of \$1.74 and \$1.66 per pound for the years ended June 30, 2021 and 2020, respectively.

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.

In-kind contributions - In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization benefited from donated facility space which were valued at \$20,000 and \$40,000 during the years ended June 30, 2021 and 2020. These amounts have been reported as both in-kind contribution revenue and in-kind occupancy expense on the statements of activities. In addition the Organization received donated goods of \$10,000 and \$0 during the years ended June 30, 2021 and 2020. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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amounts of their time to the Organization's programs and fundraising campaigns but which do not meet the criteria for financial statement recognition.

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. Directly identifiable expenses are charged to program and supporting services. General operating costs across nearly all natural categories are allocated among the program and supporting services on a reasonable basis. The Organization allocates expenses using four different formulas based on the type of expense and update this allocation on a quarterly basis based on the pounds of food distributed by category. For the years ended June 30, 2021 and 2020 program expenses were 94.67% and 93.98%, management and general were 0.95% and 1.17%, and fundraising were 4.38% and 4.85%, 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, 2021 and 2020, 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.

Recent accounting pronouncements

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions and (2) determining whether a contribution is conditional. The ASU is effective for annual periods beginning after December 15, 2018 for resource recipients, and after December 15, 2019 for resource providers, with early adoption permissible.

As a resource recipient, the Organization adopted a portion of this guidance effective July 1, 2019. As a resource provider, the Organization adopted the remaining guidance effective July 1, 2020. In both cases, there was no impact to its financial statements.

As of July 1, 2020, the Organization adopted ASU 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities." This ASU amends certain aspects of current guidance on the recognition, measurement and disclosure of financial instruments. Among other changes, this ASU

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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requires most equity investments to be measured at fair value. Additionally, this ASU eliminates the requirement to disclose the method and significant assumptions used to estimate the fair value for instruments not recognized at fair value in the Organization's financial statements. The adoption of this standard had no material impact on the Organization's financial statements and related disclosures.

In February 2021, FASB issued ASU 2016-02 Leases (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 812): Targeted Improvements. The new standard is effective for fiscal years beginning after December 15, 2021. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the statement of financial position as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. The Organization is still assessing the impact this standard will have on its financial statements.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

| | 2021 | 2020 |
|---------------------------------|--------------|--------------|
| Government contracts receivable | \$ 1,073,305 | \$ 1,967,538 |
| Marketplace food purchases | 109,824 | 66,801 |
| | \$ 1,183,129 | \$ 2,034,339 |

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, 2021 and 2020.

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, 2021 and 2020, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 INVENTORY

Inventory consists of the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|---------------------|---------------------|
| Marketplace | | |
| Donated | \$ 3,499,876 | \$ 1,111,746 |
| Purchased | <u>1,639,467</u> | <u>1,052,321</u> |
| | 5,139,343 | 2,164,067 |
| CSFP government contract | 1,626,164 | 709,495 |
| EFAP government contract | <u>1,557,075</u> | <u>1,986,411</u> |
| | <u>\$ 8,322,582</u> | <u>\$ 4,859,973</u> |

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|----------------------|----------------------|
| Building improvements | \$ 8,116,677 | \$ 7,684,350 |
| Building | 5,578,840 | 5,578,840 |
| Land | 4,378,000 | 4,378,000 |
| Warehouse equipment | 2,633,029 | 1,827,853 |
| Transportation equipment | 1,967,367 | 1,120,854 |
| Furniture and office equipment | 637,831 | 565,978 |
| Leasehold Improvements | <u>51,558</u> | <u>7,611</u> |
| | 23,363,302 | 21,163,486 |
| Accumulated depreciation | <u>(7,453,208)</u> | <u>(6,347,370)</u> |
| | 15,910,094 | 14,816,116 |
| Construction in progress | <u>88,564</u> | <u>357,836</u> |
| | <u>\$ 15,998,658</u> | <u>\$ 15,173,952</u> |

Depreciation expense was \$1,111,238 and \$905,487 for the years ended June 30, 2021 and 2020, respectively.

Construction in progress at June 30, 2021 related to the storefront project. The total cost was approximately \$230,000 and was completed in October 2021.

Construction in progress at June 30, 2020 related to a repack line machine. The total cost was approximately \$477,000 and was completed in August 2020.

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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.

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

| | 2021 | |
|------------------|---------------|---------------|
| | Cost | Fair Value |
| Corporate stocks | \$ 20,439,469 | \$ 23,288,039 |
| Mutual funds | 7,512,789 | 7,515,122 |
| Corporate bonds | 1,043,528 | 1,032,537 |
| Foreign bonds | 103,645 | 102,480 |
| | \$ 29,099,431 | \$ 31,938,178 |

| | 2020 | |
|------------------|---------------|---------------|
| | Cost | Fair Value |
| Corporate stocks | \$ 5,620,783 | \$ 4,412,782 |
| Mutual funds | \$ 4,297,233 | 4,301,978 |
| Corporate bonds | \$ 1,928,321 | 1,932,570 |
| Foreign bonds | 103,645 | 103,855 |
| | \$ 11,949,982 | \$ 10,751,185 |

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

| | 2021 | 2020 |
|------------------------|--------------|------------|
| Interest and dividends | \$ 324,490 | \$ 107,723 |
| Realized (loss)/gains | \$ (49,673) | \$ 94,139 |
| Unrealized gains | \$ 2,279,715 | \$ 92,497 |

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The Board intends to allocate excess cash in reserve and investment accounts in the following manner:

| | |
|--------------------------------------|---------------|
| Food purchases | \$ 11,938,178 |
| Building acquisition | 10,000,000 |
| Reserves & Covid - disaster recovery | 10,000,000 |
| Total allocation of excess cash | \$ 31,938,178 |

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.

Financial assets and liabilities carried at fair value at June 30, 2021 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 | \$ 23,288,039 | \$ - | \$ - | \$ 23,288,039 |
| Mutual funds | 7,515,122 | - | - | 7,515,122 |
| Corporate bonds | 1,032,537 | - | - | 1,032,537 |
| Foreign bonds | 102,480 | - | - | 102,480 |
| | \$ 31,938,178 | \$ - | \$ - | \$ 31,938,178 |

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Financial assets and liabilities carried at fair value at June 30, 2020 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 | \$ 4,412,782 | \$ - | \$ - | \$ 4,412,782 |
| Mutual funds | 4,301,978 | - | - | 4,301,978 |
| Corporate bonds | 1,932,570 | - | - | 1,932,570 |
| Foreign bonds | 103,855 | - | - | 103,855 |
| | <u>\$ 10,751,185</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,751,185</u> |

The tables above exclude investments in certificates of deposits which are accounted for on the cost basis of \$1,451,014 and \$3,051,013 at June 30, 2021 and 2020, respectively, which are not subject to ASC 820.

The investments in corporate stocks 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>2021</u> | <u>2020</u> |
|------------------|-------------------|-------------------|
| Accrued payroll | \$ 435,101 | \$ 449,255 |
| Accrued vacation | 275,145 | 232,025 |
| | <u>\$ 710,246</u> | <u>\$ 681,280</u> |

NOTE 9 LINE OF CREDIT

In April 2021 the Organization entered into a revolving credit line against their brokerage account. The loanable value is based on each class of eligible securities. The Organization has not drawn upon the line of credit as of June 30, 2021. The line of credit does not have a maturity date and bears a variable interest rate equal to the WSJ prime rate minus 2.00% (1.25% at June 30, 2021). The line of credit is secured by the Organization's investment account and balances are repayable on demand.

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, 2021 and 2020. The line has a maturity date of July 15, 2022 and bears interest at the Wells Fargo prime rate plus 0.25% as of June 30, 2021 and 2020 (3.50% at June 30, 2021 and June 30, 2020) with a 4% 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 released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by donors during the years ended June 30 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Capital expenditures | \$ - | \$ 250,080 |
| Purpose restriction accomplished: | | |
| Backpack | 828,755 | 582,473 |
| College hunger relief & grab-n-go pantries | 214,597 | 9,672 |
| Farm to family | 283,900 | 212,814 |
| Diaper bank | 178,853 | 20,263 |
| Hunger Is | 162,666 | 167,501 |
| Nourishing neighbors | 87,444 | - |
| Operation gobble | 61,678 | 48,800 |
| Pantries | 40,000 | - |
| NBCUniversal | 38,950 | - |
| Supervisor grants | 26,675 | 674,321 |
| Gift card grants | 25,016 | 190,000 |
| Van | 20,000 | - |
| Covid - disaster recovery | - | 805,000 |
| FEED | - | 119,997 |
| | <u>1,968,534</u> | <u>2,830,841</u> |
| | <u>\$ 1,968,534</u> | <u>\$ 3,080,921</u> |

Net assets consist of the following at June 30:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Without donor restrictions | \$ 57,012,551 | \$ 34,716,770 |
| With donor restrictions: | | |
| Backpack program | 1,513,430 | 1,974,472 |
| Gift card grant | 149,984 | 38,950 |
| Solar | 101,145 | 101,145 |
| Supervisor grants | 100,000 | 26,675 |
| College hunger relief & grab-n-go pantries | 97,810 | 272,407 |
| Nourishing neighbors | 60,556 | - |
| USO | 25,000 | - |
| Diaper bank | 10,684 | 122,052 |
| | <u>2,058,609</u> | <u>2,535,701</u> |
| Total net assets | <u>\$ 59,071,160</u> | <u>\$ 37,252,471</u> |

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NOTE 11 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | | |
|--|----------------------|----------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 1,626,105 | \$ 2,579,695 |
| Accounts receivable | 1,183,129 | 2,034,339 |
| Contributions receivable | 57,000 | 171,522 |
| Certificates of deposit | 1,451,014 | 3,051,013 |
| Investments | 31,938,178 | 10,751,185 |
| | <u>\$ 36,255,426</u> | <u>\$ 18,587,754</u> |
| Less: | | |
| Donor imposed restrictions making financial assets unavailable for general expenditure | <u>2,058,609</u> | <u>2,535,701</u> |
| Financial assets available to meet general expenditure within one year | <u>\$ 34,196,817</u> | <u>\$ 16,052,053</u> |

The Organization is partially supported by restricted contributions. Due to donor restrictions requiring resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization sets aside cash in excess of daily requirements in its reserve and investment accounts. In the event of an unanticipated liquidity need, the Organization also could draw upon its line of credit (see note 9). The Organization also owns the building it operates in San Diego, CA debt free that it could borrow against if necessary.

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NOTE 12 BUSINESS ENTERPRISE

Business enterprise revenue consists of the following:

| | 2021 | 2020 |
|-------------------------------------|----------------------|----------------------|
| Non-cash food receipt contributions | | |
| Donated | \$ 59,348,490 | \$ 35,876,941 |
| Government - EFAP | 15,663,500 | 14,526,697 |
| Government - CSFP | 5,333,923 | 4,125,407 |
| | 80,345,913 | 54,529,045 |
| Shared maintenance fees | 428,843 | 638,819 |
| Recycling and energy rebate | 24,036 | 2,584 |
| | \$ 80,798,792 | \$ 55,170,448 |

NOTE 13 SPECIAL EVENTS

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

| | 2021 | 2020 |
|-----------------------------------|-------------------|-------------------|
| Revenue | | |
| Sponsorship | \$ 429,225 | \$ 612,056 |
| Donations | 196,644 | 60,382 |
| Ticket sales | 112,872 | 254,215 |
| Merchandise and auctions proceeds | 12,800 | 67,316 |
| Food and beverage | - | 56,185 |
| | 751,541 | 1,050,154 |
| Expenses: | | |
| Direct benefits to donors | 148,314 | 190,266 |
| Other expenses | 208,162 | 382,617 |
| | 356,476 | 572,883 |
| Total net income | \$ 395,065 | \$ 477,271 |

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

| | 2021 | 2020 |
|----------------------------|------------|------------|
| Contract services | \$ 172,066 | \$ 203,786 |
| Direct mail and marketing | 87,337 | 136,873 |
| Supplies | 63,876 | 90,525 |
| Other fundraising accounts | 20,354 | 47,725 |
| Equipment rental | 6,765 | 55,682 |
| Printing and mailing | 6,078 | 38,292 |
| | \$ 356,476 | \$ 572,883 |

NOTE 14 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, 2021 and 2020 was \$160,452 and \$142,327, respectively.

NOTE 15 COMMITMENTS

The Organization leases equipment, trucks and facilities under operating leases that expire between February 2022 and June 2025. 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:

| | | |
|--|------|------------|
| | 2022 | \$ 432,776 |
| | 2023 | 83,633 |
| | 2024 | 23,628 |
| | 2025 | 23,628 |
| | | \$ 563,665 |

Equipment and facility lease expense under these leases for the years ended June 30, 2021 and 2020 were approximately \$743,000 and \$380,000, respectively.

NOTE 16 RELATED PARTY TRANSACTIONS

The President of the Organization is also the Chairman of the Board of California Association of Food Banks ("Association"). The Organization purchases food from the Association for various programs. For the years ended June 30, 2021 and 2020, the Organization paid \$1,573,831 and \$965,893, respectively, to the Association for food purchases. In addition, the Organization paid \$23,837 and \$20,037 in annual membership dues for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the Organization owes the Association \$161,206 and \$60,535, respectively, and is included in accounts payable on the statement of financial position.

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The Association is also the pass-through agency for the SNAP program. For the years ended June 30, 2021 and 2020, the Organization was reimbursed \$51,222 and \$50,062, respectively, through the SNAP program. The Association is also the pass-through agency for the Emergency Food Distribution Box Program. The Organization was reimbursed \$0 and \$137,024 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the Organization has amounts due from the Association of \$13,191 and \$94,535, respectively, and is included in accounts receivable on the statement of financial position.

The Organization used a company for offsite cold storage that a member of the advisory board has an ownership interest in. For the years ended June 30, 2021 and 2020 Organization was billed \$96,173 and \$28,523, respectively, for storage space. There was a balance outstanding of \$45 and \$3,983 at June 30, 2021 and 2020, respectively, and is included in accounts payable on the statement of financial position.

NOTE 17 SUBSEQUENT EVENT

Management has evaluated subsequent events through April 12, 2022, 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, except as noted below.

Subsequent to year end the Organization signed a new lease for the north county facility. The lease commences on January 1, 2022 and ends on October 31, 2025. Initial base rent is \$49,243 per month.