

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK  
A NONPROFIT ORGANIZATION  
CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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, 2020 and 2019, 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, 2020 and 2019, 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 black ink that reads "Considine & Considine". The script is cursive and somewhat stylized, with a colon between the two names.

CONSIDINE & CONSIDINE  
An Accountancy Corporation

January 12, 2021

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

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	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,579,695	\$ 537,868
Certificates of deposit	1,200,000	2,207,242
Investments (note 6)	10,751,185	2,844,801
Accounts receivable (note 3)	2,034,339	664,940
Contributions receivable	171,522	229,034
Inventory (note 4)	4,859,973	5,069,420
Prepaid expenses and other current assets	202,161	124,675
	21,798,875	11,677,980
PROPERTY AND EQUIPMENT (note 5)	15,173,952	14,406,335
NONCURRENT ASSETS		
Certificates of deposit	1,851,013	-
Other assets	49,172	10,509
	1,900,185	10,509
TOTAL ASSETS	38,873,012	26,094,824
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	844,642	303,786
Accrued liabilities (note 8)	681,280	507,499
Customer advances	94,619	24,811
TOTAL LIABILITIES	1,620,541	836,096
NET ASSETS (note 10)		
Without donor restrictions	34,716,770	23,185,706
With donor restrictions	2,535,701	2,073,022
TOTAL NET ASSETS	37,252,471	25,258,728
TOTAL LIABILITIES AND NET ASSETS	\$ 38,873,012	\$ 26,094,824

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
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Support from the public:			
Business enterprise (note 12)	\$ 55,170,448	\$ -	\$ 55,170,448
Private donations	18,200,744	3,043,451	21,244,195
Government contracts	4,757,258	500,149	5,257,407
Inkind contributions	40,000	-	40,000
	78,168,450	3,543,600	81,712,050
Special events (note 13)			
Special events revenue	1,050,154	-	1,050,154
Direct benefits to donors	(190,265)	-	(190,265)
	859,889	-	859,889
<b>NET ASSET RESTRICTION TRANSFERS</b>			
Revenue released from restriction	3,080,921	(3,080,921)	-
<b>TOTAL REVENUE</b>	<b>82,109,260</b>	<b>462,679</b>	<b>82,571,939</b>
<b>EXPENSES</b>			
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
<b>OTHER INCOME/(EXPENSE)</b>			
Investment return	294,359	-	294,359
Other income	29,424	-	29,424
	323,783	-	323,783
<b>CHANGE IN NET ASSETS</b>	<b>11,531,064</b>	<b>462,679</b>	<b>11,993,743</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>23,185,706</b>	<b>2,073,022</b>	<b>25,258,728</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 34,716,770</b>	<b>\$ 2,535,701</b>	<b>\$ 37,252,471</b>

See accompanying notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	Without donor Restrictions	With donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Support from the public:			
Business enterprise (note 12)	41,529,515	\$ -	\$ 41,529,515
Private donations	5,803,742	1,759,087	7,562,829
Government contracts	2,593,934	-	2,593,934
	49,927,191	1,759,087	51,686,278
Special events (note 13)			
Special events revenue	1,474,302	-	1,474,302
Direct benefits to donors	(245,692)	-	(245,692)
	1,228,610	-	1,228,610
<b>NET ASSET RESTRICTION TRANSFERS</b>			
Revenue released from restriction	1,320,558	(1,320,558)	-
	1,320,558	(1,320,558)	-
<b>TOTAL REVENUE</b>	<b>52,476,359</b>	<b>438,529</b>	<b>52,914,888</b>
<b>EXPENSES</b>			
Program services:			
Government programs	12,451,989	-	12,451,989
Non-Government programs	34,583,881	-	34,583,881
Total program services	47,035,870	-	47,035,870
Supporting services:			
Management and general	725,686	-	725,686
Fundraising	2,577,346	-	2,577,346
Total supporting services	3,303,032	-	3,303,032
	50,338,902	-	50,338,902
<b>OTHER INCOME/(EXPENSE)</b>			
Investment return	143,565	-	143,565
Other income	5,549	-	5,549
	149,114	-	149,114
<b>CHANGE IN NET ASSETS</b>	<b>2,286,571</b>	<b>438,529</b>	<b>2,725,100</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>20,899,135</b>	<b>1,634,493</b>	<b>22,533,628</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 23,185,706</b>	<b>\$ 2,073,022</b>	<b>\$ 25,258,728</b>

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 STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services			Supporting Services			Total
	Government Programs	Non- Government Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Administrative support	\$ -	\$ -	\$ -	\$ 3,797	\$ -	\$ 3,797	\$ 3,797
Bank charges	-	2,070	2,070	23,787	59,375	83,162	85,232
Contract services	62,606	49,208	111,814	53,075	360,910	413,985	525,799
Depreciation and amortization	351,098	377,551	728,649	59,982	68,602	128,584	857,233
Direct mail and marketing	-	64,119	64,119	5,646	995,889	1,001,535	1,065,654
Dues and subscriptions	2,712	22,850	25,562	10,347	14,664	25,011	50,573
Equipment rental	4,256	5,850	10,106	3,838	73,160	76,998	87,104
Food acquisition and distribution	10,632,487	31,683,516	42,316,003	3,822	2,841	6,663	42,322,666
Insurance	11,744	15,419	27,163	17,293	2,561	19,854	47,017
Meeting expenses	763	6,276	7,039	11,006	7,965	18,971	26,010
Personnel expenses	1,134,804	1,709,485	2,844,289	459,470	977,684	1,437,154	4,281,443
Printing and mailing	18,004	38,233	56,237	5,789	83,292	89,081	145,318
Repairs and maintenance	74,855	202,481	277,336	13,823	18,445	32,268	309,604
Supplies	43,472	190,641	234,113	19,156	109,743	128,899	363,012
Telephone	11,318	20,125	31,443	1,706	2,087	3,793	35,236
Travel	18,519	33,865	52,384	22,012	26,549	48,561	100,945
Warehouse expenses	85,351	162,192	247,543	11,137	19,271	30,408	277,951
	<u>12,451,989</u>	<u>34,583,881</u>	<u>47,035,870</u>	<u>725,686</u>	<u>2,823,038</u>	<u>3,548,724</u>	<u>50,584,594</u>
Less: Direct benefits to donors at special events included in revenue	-	-	-	-	(245,692)	(245,692)	(245,692)
Total expenses included in the expense section of the statement of activities	<u>\$ 12,451,989</u>	<u>\$ 34,583,881</u>	<u>\$ 47,035,870</u>	<u>\$ 725,686</u>	<u>\$ 2,577,346</u>	<u>\$ 3,303,032</u>	<u>\$ 50,338,902</u>

See accompanying notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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	2020	2019
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,993,743	\$ 2,725,100
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	905,487	857,233
Loss on disposal of equipment	-	(2,500)
Net realized and unrealized investment gain	(186,636)	(87,534)
In-kind investment contributions	(280,676)	(165,370)
Change in contributed food inventory	1,744,457	(1,302,997)
Change in operating assets and liabilities:		
Accounts receivable	(1,369,399)	(81,635)
Contributions receivable	57,512	39,926
Inventories	(1,535,010)	(145,968)
Prepaid expenses and other current assets	(116,149)	(3,521)
Accounts payable	540,856	(37,618)
Accrued expenses	173,781	122,114
Customer advances	69,808	(9,737)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>11,997,774</b>	<b>1,907,493</b>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Cash paid for purchases of fixed assets	(1,673,104)	(196,967)
Cash paid for purchases of investments	(14,701,674)	(5,909,705)
Proceeds on sale of investments	6,418,831	2,634,923
Proceeds on sale of equipment	-	2,500
	<b>(9,955,947)</b>	<b>(3,469,249)</b>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>2,041,827</b>	<b>(1,561,756)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>537,868</b>	<b>2,099,624</b>
<b>CASH, END OF YEAR</b>	<b>\$ 2,579,695</b>	<b>\$ 537,868</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

See accompanying notes

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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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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, 2020 and 2019.

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, 2020 and 2019, the USDA Emergency Food Assistance Program food product prices averaged \$0.98 and \$0.83 per pound, respectively, and USDA Commodity Supplemental Food Program food product prices averaged \$0.75 and \$0.69 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, 2020 and 2019.

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 \$40,000 and \$0 during the years ended June 30, 2020 and 2019. These amounts have been reported as both in-kind contribution revenue and in-kind occupancy expense on the statements of activities. 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 amounts of their time to the

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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, 2020 and 2019 program expenses were 93.98% and 93.47%, management and general were 1.17% and 1.44%, and fundraising were 4.85% and 5.09%, 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, 2020 and 2019, 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 2019 financial statements presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Recent accounting pronouncements

Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12, 2016-20, collectively implemented as Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, provides guidance for revenue recognition. This ASC's core principle requires an organization to recognize revenue when it transfers promised goods or services to recipients in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the recipient. The new standard permits the use of either the modified retrospective or full retrospective transition method.

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The Organization has performed a review of the new guidance as compared to its current accounting policies, and evaluated all services rendered to its recipients as well as underlying contracts to determine the impact of this standard to its revenue recognition process. Upon completion of its review of relevant contracts, the Corps has made a determination that there is no material impact to revenue recognition upon adoption of the new standard. Additionally, there have not been significant changes to the Organization's business processes, systems, or internal controls as a result of implementing the standard. The Organization adopted the standard on July 1, 2019, using the modified retrospective transition method.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU includes clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions. The Organization adopted ASU 2018-08, under the modified prospective approach to agreements that were either not completed as of July 1, 2019 or entered into after July 1, 2019. The adoption of this ASU did not have a material effect on the financial statements for contributions received. The Organization does not make significant contributions and the impact of ASU 2018-08 related to contributions made is not expected to be material to the financial statements or disclosures.

In February 2016, the FASB issued a new leases standard which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The new standard will be effective for the Organization beginning on July 1, 2022, with early adoption permitted, though the Organization currently anticipates adopting the new standard on the effective date. The new standard must be adopted using a modified retrospective method, which requires application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients. The Organization is assessing the effect of the new standard on its financial statements, though it does not anticipate changes to its current revenue recognition practices.

**NOTE 3    ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	2020	2019
Government contracts receivable	\$ 1,967,538	\$ 617,186
Marketplace food purchases	66,801	47,754
Other receivables	-	-
	\$ 2,034,339	\$ 664,940

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, 2020 and 2019.

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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, 2020 and 2019, respectively.

**NOTE 4 INVENTORY**

Inventory consists of the following:

	<u>2020</u>	<u>2019</u>
Marketplace		
Donated	\$ 1,111,746	\$ 1,835,575
Purchased	1,052,321	284,816
	<u>2,164,067</u>	<u>2,120,391</u>
EFAP government contract	1,986,411	2,413,416
CSFP government contract	709,495	535,613
	<u>\$ 4,859,973</u>	<u>\$ 5,069,420</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment are summarized as follows:

	<u>2020</u>	<u>2019</u>
Building improvements	\$ 7,640,403	\$ 7,313,602
Building	5,578,840	5,578,840
Land	4,378,000	4,378,000
Warehouse equipment	1,827,853	1,280,530
Transportation equipment	1,120,854	836,083
Furniture and office equipment	565,978	445,362
Leasehold Improvements	51,558	7,611
	<u>21,163,486</u>	<u>19,840,028</u>
Accumulated depreciation	<u>(6,347,370)</u>	<u>(5,442,095)</u>
	14,816,116	14,397,933
Construction in progress	357,836	8,402
	<u>\$ 15,173,952</u>	<u>\$ 14,406,335</u>

Depreciation expense was \$905,487 and \$857,233 for the years ended June 30, 2020 and 2019, respectively.

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:

	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

  

	2019	
	Cost	Fair Value
Corporate stocks	\$ 1,304,662	\$ 1,414,683
Mutual funds	1,430,118	1,430,118
	\$ 2,734,780	\$ 2,844,801

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

	2020	2019
Interest and dividends	\$ 107,723	\$ 56,031
Realized gains	\$ 94,139	\$ -
Unrealized gains	\$ 92,497	\$ 87,534

**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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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, 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>

Financial assets and liabilities carried at fair value at June 30, 2019 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	\$ 1,414,683	\$ -	\$ -	\$ 1,414,683
Mutual funds	1,430,118	-	-	1,430,118
	<u>\$ 2,844,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,844,801</u>

The tables above exclude investments in certificates of deposits which are accounted for on the cost basis of \$3,051,013 and \$2,207,242 at June 30, 2020 and 2019, 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.

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**NOTE 8 ACCRUED LIABILITIES**

Accrued liabilities consist of the following:

	2020	2019
Accrued payroll	\$ 449,255	\$ 318,380
Accrued vacation	232,025	188,669
Accrued other	-	450
	\$ 681,280	\$ 507,499

**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, 2020 and 2019. The line has a maturity date of May 15, 2021 and bears interest at the Wells Fargo prime rate plus 0.25% as of June 30, 2020 and 2019 (3.50% at June 30, 2020 and 6.25% at June 30, 2019) with a 4% floor. The line of credit is secured by the Organization's inventory and accounts receivable.

**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:

	2020	2019
Capital expenditures	\$ 250,080	\$ -
Purpose restriction accomplished:		
Supervisor grants	674,321	-
Covid - disaster recovery	805,000	-
Backpack	582,473	506,962
Farm to family	212,814	211,457
Gift card grants	190,000	-
Hunger Is	167,501	130,884
FEED	119,997	255,003
Operation gobbler	48,800	28,448
Diaper bank	20,263	4,118
College hunger relief & grab-n-go pantries	9,672	145,331
Disaster relief	-	38,194
Roof	-	161
	2,830,841	1,320,558
	\$ 3,080,921	\$ 1,320,558

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Net assets consist of the following at June 30:

	2020	2019
Without donor restrictions	\$ 34,716,770	\$ 23,185,706
With donor restrictions:		
Backpack program	1,974,472	1,579,762
College hunger relief & grab-n-go pantries	272,407	231,079
Diaper bank	122,052	41,039
Solar	101,145	101,145
NBCUniversal	38,950	-
Supervisor grants	26,675	-
FEED	-	119,997
	2,535,701	2,073,022
Total net assets	\$ 37,252,471	\$ 25,258,728

**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	\$ 2,579,695	\$ 537,868
Accounts receivable	2,034,339	664,940
Contributions receivable	171,522	229,034
Certificates of deposit	3,051,013	2,207,242
Investments	10,751,185	2,844,801
	\$ 18,587,754	\$ 6,483,885
Less:		
Donor imposed restrictions making financial assets unavailable for general expenditure	2,535,701	2,073,022
Financial assets available to meet general expenditure within one year	\$ 16,052,053	\$ 4,410,863

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

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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.

**NOTE 12 BUSINESS ENTERPRISE**

Business enterprise revenue consists of the following:

	<u>2020</u>	<u>2019</u>
Non-cash food receipt contributions		
Donated	\$ 35,876,941	\$ 29,122,125
Government - EFAP	14,526,697	8,947,681
Government - CSFP	<u>4,125,407</u>	<u>2,880,259</u>
	54,529,045	40,950,065
Shared maintenance fees	638,819	567,880
Recycling and energy rebate	<u>2,584</u>	<u>11,570</u>
	<u>\$ 55,170,448</u>	<u>\$ 41,529,515</u>

**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:

	<u>2020</u>	<u>2019</u>
Revenue		
Sponsorship	\$ 612,056	\$ 696,631
Ticket sales	254,215	229,953
Donations	60,382	316,076
Merchandise and auctions proceeds	67,316	165,874
Food and beverage	<u>56,185</u>	<u>65,768</u>
	1,050,154	1,474,302
Expenses:		
Direct benefits to donors	190,266	245,692
Other expenses	<u>382,617</u>	<u>493,819</u>
	572,883	739,511
Total net income	<u>\$ 477,271</u>	<u>\$ 734,791</u>

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

	2020	2019
Contract services	\$ 203,786	\$ 327,763
Direct mail and marketing	136,873	157,439
Supplies	90,525	106,039
Equipment rental	55,682	72,318
Other fundraising accounts	47,725	46,857
Printing and mailing	38,292	29,095
	\$ 572,883	\$ 739,511

**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, 2020 and 2019 was \$142,327 and \$137,466, respectively.

**NOTE 15 COMMITMENTS**

The Organization leases equipment, trucks and facilities 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:

	2021	\$	584,459
	2022		432,776
	2023		83,633
	2024		23,628
	2025		23,628
			\$ 1,148,124

Equipment lease expense for the years ended June 30, 2020 and 2019 were approximately \$380,000.

**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, 2020 and 2019, the Organization paid \$965,893 and \$1,391,414, respectively, to the Association for food purchases. In addition, the Organization paid \$20,037 and \$16,275 in annual membership dues for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Organization owes the Association \$60,535 and \$45,390, 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, 2020 and 2019, the Organization was reimbursed \$50,062 and \$42,773, respectively, through the SNAP program. The Association is also the pass-through agency for the Emergency Food Distribution Box Program. The Organization was reimbursed \$137,024 and \$0 for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Organization has amounts due from the Association of \$94,535 and \$22,143, 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, 2020 and 2019 Organization was billed \$28,523 and \$0, respectively, for storage space. There was a balance outstanding of \$3,983 and \$0 at June 30, 2020 and 2019, respectively, and is included in accounts payable on the statement of financial position.

**NOTE 17    SUBSEQUENT EVENT**

Management has evaluated subsequent events through January 12, 2021, 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.

As a result of the Covid-19 Coronavirus and the resulting stay-at-home orders issued by the State of California, the state in which the Organization operates, the Organization may be experiencing operational effects. The duration of the operational effects may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.