

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

**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

Opinion

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jacobs & Cushman San Diego Food Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jacobs & Cushman San Diego Food Bank's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jacobs & Cushman San Diego Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jacobs & Cushman San Diego Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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An Accountancy Corporation

March 10, 2023

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

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	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 735,421	\$ 1,626,105
Certificates of deposit	839,000	400,007
Investments (note 7)	35,951,088	31,938,178
Accounts receivable (note 3)	2,090,059	1,183,129
Contributions receivable (note 4)	8,175,653	57,000
Inventory (note 5)	6,922,056	8,322,582
Prepaid expenses and other current assets	748,132	171,525
	55,461,409	43,698,526
PROPERTY AND EQUIPMENT (note 6)	15,613,482	15,998,658
NONCURRENT ASSETS		
Certificates of deposit	2,331,003	1,051,007
Other assets	88,715	96,428
	2,419,718	1,147,435
TOTAL ASSETS	73,494,609	60,844,619
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	1,368,398	932,731
Accrued liabilities (note 9)	666,638	710,246
Customer advances	126,817	130,482
Deferred revenue	638,834	-
TOTAL LIABILITIES	2,800,687	1,773,459
NET ASSETS		
Without donor restrictions		
Undesignated	33,165,743	57,012,551
Board designated (note 11)	35,951,088	-
Total without donor restrictions	69,116,831	57,012,551
With donor restrictions (note 12)	1,577,091	2,058,609
TOTAL NET ASSETS	70,693,922	59,071,160
TOTAL LIABILITIES AND NET ASSETS	\$ 73,494,609	\$ 60,844,619

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

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	Without donor Restrictions	With donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Business enterprise (note 14)	\$ 57,975,458	\$ -	\$ 57,975,458
Private donations	28,536,762	1,614,454	30,151,216
Government contracts	6,327,592	-	6,327,592
In-kind contributions	209,610	-	209,610
	93,049,422	1,614,454	94,663,876
Special events (note 15)			
Special events revenue	1,173,311	-	1,173,311
Direct benefits to donors	(197,319)	-	(197,319)
	975,992	-	975,992
NET ASSET RESTRICTION TRANSFERS			
Revenue released from restriction	2,095,972	(2,095,972)	-
TOTAL REVENUE	96,121,386	(481,518)	95,639,868
EXPENSES			
Program services:			
Government programs	23,475,122	-	23,475,122
Non-Government programs	51,584,088	-	51,584,088
Total program services	75,059,210	-	75,059,210
Supporting services:			
Management and general	1,993,631	-	1,993,631
Fundraising	3,661,396	-	3,661,396
Total supporting services	5,655,027	-	5,655,027
	80,714,237	-	80,714,237
OTHER INCOME			
Investment return	(3,306,459)	-	(3,306,459)
Other income	3,590	-	3,590
	(3,302,869)	-	(3,302,869)
CHANGE IN NET ASSETS	12,104,280	(481,518)	11,622,762
NET ASSETS, BEGINNING OF YEAR	57,012,551	2,058,609	59,071,160
NET ASSETS, END OF YEAR	\$ 69,116,831	\$ 1,577,091	\$ 70,693,922

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			
Business enterprise (note 14)	\$ 76,306,537	\$ -	\$ 76,306,537
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
	118,849,615	1,491,442	120,341,057
Special events (note 15)			
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	121,421,376	(477,092)	120,944,284
EXPENSES			
Program services:			
Government programs	23,853,744	-	23,853,744
Non-Government programs	72,181,219	-	72,181,219
Total program services	96,034,963	-	96,034,963
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
	101,693,829	-	101,693,829
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services			Total
	Government Programs	Non- Government Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Administrative support	\$ 483	\$ 457	\$ 940	\$ 3,007	\$ -	\$ 3,007	\$ 3,947
Bad debt expense	-	-	-	497,000	-	497,000	497,000
Bank charges	-	4,367	4,367	35,306	207,259	242,565	246,932
Contract services	122,003	131,920	253,923	275,073	328,579	603,652	857,575
Depreciation and amortization	405,252	638,579	1,043,831	85,963	98,243	184,206	1,228,037
Direct mail and marketing	150	4,378	4,528	5,170	1,918,122	1,923,292	1,927,820
Dues and subscriptions	3,878	17,988	21,866	15,456	15,202	30,658	52,524
Equipment rental	39,721	38,489	78,210	4,543	105,416	109,959	188,169
Food acquisition and distribution	20,195,488	46,405,701	66,601,189	13,045	1,141	14,186	66,615,375
Insurance	14,450	21,704	36,154	26,730	3,403	30,133	66,287
Meeting expenses	773	1,477	2,250	7,386	2,509	9,895	12,145
Miscellaneous expenses	-	30,016	30,016	200,000	-	200,000	230,016
Personnel expenses	1,932,583	2,818,142	4,750,725	761,311	857,041	1,618,352	6,369,077
Printing and mailing	24,417	27,308	51,725	3,177	76,582	79,759	131,484
Repairs and maintenance	64,275	183,220	247,495	12,830	26,419	39,249	286,744
Supplies	57,142	345,600	402,742	14,806	164,266	179,072	581,814
Telephone	13,247	30,327	43,574	11,397	2,633	14,030	57,604
Travel	14,724	14,995	29,719	1,093	22,273	23,366	53,085
Warehouse expenses	586,536	869,420	1,455,956	20,338	29,627	49,965	1,505,921
	23,475,122	51,584,088	75,059,210	1,993,631	3,858,715	5,852,346	80,911,556
Less: Direct benefits to donors at special events included in revenue	-	-	-	-	(197,319)	(197,319)	(197,319)
Total expenses included in the expense section of the statement of activities	\$ 23,475,122	\$ 51,584,088	\$ 75,059,210	\$ 1,993,631	\$ 3,661,396	\$ 5,655,027	\$ 80,714,237

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	20,996,458	65,721,249	86,717,707	4,137	4,702	8,839	86,726,546
Grant expense	-	1,762,516	1,762,516	-	-	-	1,762,516
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	283,093	333,596	27,740	81,336	109,076	442,672
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
	<u>23,853,744</u>	<u>72,181,219</u>	<u>96,034,963</u>	<u>1,007,140</u>	<u>4,800,040</u>	<u>5,807,180</u>	<u>101,842,143</u>
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	<u>\$ 23,853,744</u>	<u>\$ 72,181,219</u>	<u>\$ 96,034,963</u>	<u>\$ 1,007,140</u>	<u>\$ 4,651,726</u>	<u>\$ 5,658,866</u>	<u>\$ 101,693,829</u>

See accompanying notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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	2022	2021
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 11,622,762	\$ 21,818,689
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	1,228,037	1,111,238
Gain on disposal of equipment	(3,590)	(12,502)
Net realized and unrealized investment gain	3,897,445	(2,230,042)
In-kind investment contributions	(576,889)	(557,558)
Change in contributed food inventory	560,238	(2,288,317)
Increase in allowance for contributions receivable	497,000	-
Change in operating assets and liabilities:		
Accounts receivable	(906,930)	851,210
Contributions receivable	(8,615,653)	114,522
Inventories	840,288	(1,174,292)
Prepaid expenses and other current assets	(576,607)	30,636
Other assets	7,713	(47,256)
Accounts payable	435,667	88,089
Accrued expenses	(43,608)	28,966
Customer advances	(3,665)	35,863
Deferred revenue	638,834	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,001,042	17,769,246
CASH FLOWS USED BY INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	(867,771)	(1,935,942)
Cash paid for purchases of investments	(21,503,752)	(31,542,677)
Proceeds on sale of investments	12,451,297	14,743,283
Proceeds on sale of equipment	28,500	12,500
	(9,891,726)	(18,722,836)
NET DECREASE IN CASH	(890,684)	(953,590)
CASH, BEGINNING OF YEAR	1,626,105	2,579,695
CASH, END OF YEAR	\$ 735,421	\$ 1,626,105
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, 2022 AND 2021

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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. The Board of Directors has designated, from net assets without donor restrictions for specific purposes, see note 11.

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.

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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.

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, 2022 and 2021, the USDA Emergency Food Assistance Program food product prices averaged \$1.16 and \$1.06 per pound, respectively, and USDA Commodity Supplemental Food Program food product prices averaged \$0.92 and \$0.87 per pound, respectively. All other contributed food items are valued using an average cost based on the industry standard of \$1.74 per pound for the years ended June 30, 2022 and 2021. See note 14 for noncash food receipt contributions during the years ended June 30, 2022 and 2021.

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 \$0 and \$20,000 during the years ended June 30, 2022 and 2021. 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 \$194,050 and \$10,000 during the years ended June 30, 2022 and 2021. 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

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
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provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization has recognized \$15,560 and \$0 in revenue from donated services for the years ended June 30, 2022 and 2021, respectively. The Organization receives services from a large number of volunteers who give significant 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, 2022 and 2021 program expenses were 92.99% and 94.44%, management and general were 2.47% and 0.99%, and fundraising were 4.54% and 4.57%, 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, 2022 and 2021, 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 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 842): 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.

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2022	2021
Government contracts receivable	\$ 2,070,035	\$ 1,073,305
Marketplace food purchases	20,024	109,824
	\$ 2,090,059	\$ 1,183,129

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, 2022 and 2021.

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, 2022 and 2021, respectively.

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	2022	2021
Bequests	\$ 8,602,190	\$ -
Other Contributions	70,463	57,000
	8,672,653	57,000
Allowance for doubtful accounts	(497,000)	-
	\$ 8,175,653	\$ 57,000

Bequests are usually received within a two-year period following the death of donor, and are typically subject to court proceedings and the probate process. Management has estimated an allowance for doubtful accounts for amounts relating to potential amounts not to be received as the trustee is finalizing the trust.

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A NONPROFIT ORGANIZATION
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NOTE 5 INVENTORY

Inventory consists of the following:

	<u>2022</u>	<u>2021</u>
Marketplace		
Donated	\$ 3,200,749	\$ 3,499,876
Purchased	1,219,323	1,639,467
	<u>4,420,072</u>	<u>5,139,343</u>
CSFP government contract	1,719,112	1,626,164
EFAP government contract	782,872	1,557,075
	<u>\$ 6,922,056</u>	<u>\$ 8,322,582</u>

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>2022</u>	<u>2021</u>
Building improvements	\$ 8,650,829	\$ 8,160,624
Building	5,578,840	5,578,840
Land	4,378,000	4,378,000
Warehouse equipment	2,782,882	2,633,029
Transportation equipment	1,850,276	1,967,367
Furniture and office equipment	654,983	637,831
Leasehold Improvements	94,309	7,611
	<u>23,990,119</u>	<u>23,363,302</u>
Accumulated depreciation	<u>(8,560,505)</u>	<u>(7,453,208)</u>
	15,429,614	15,910,094
Construction in progress	183,868	88,564
	<u>\$ 15,613,482</u>	<u>\$ 15,998,658</u>

Depreciation expense was \$1,228,037 and \$1,111,238 for the years ended June 30, 2022 and 2021, respectively.

Construction in progress at June 30, 2022 related to a walk-in cooler replacement at the north county facility. The total cost was approximately \$184,000 and was completed in October 2022.

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.

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NOTE 7 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:

	2022	
	Cost	Fair Value
Corporate stocks	\$ 27,770,493	\$ 26,797,750
Mutual funds	1,795,952	1,770,859
Corporate bonds	7,546,935	7,176,463
Foreign bonds	209,478	206,016
	\$ 37,322,858	\$ 35,951,088

	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

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

	2022	2021
Interest and dividends	\$ 590,986	\$ 324,490
Realized losses	\$ (2,123)	\$ (49,673)
Unrealized (losses)/gains	\$ (3,895,322)	\$ 2,279,715

The Board of Directors has designated 100% of the total investment balance for specific purposes, see note 11.

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NOTE 8 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. There were no changes in the methods used to measure fair value at June 30, 2022 and 2021.

Financial assets and liabilities carried at fair value at June 30, 2022 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	\$ 26,797,750	\$ -	\$ -	\$ 26,797,750
Mutual funds	1,770,859	-	-	1,770,859
Corporate bonds	7,176,463	-	-	7,176,463
Foreign bonds	206,016	-	-	206,016
	<u>\$ 35,951,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,951,088</u>

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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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
	<u>\$ 31,938,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,938,178</u>

The tables above exclude investments in certificates of deposits which are accounted for on the cost basis of \$3,170,003 and \$1,451,014 at June 30, 2022 and 2021, 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 9 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	<u>2022</u>	<u>2021</u>
Accrued payroll	\$ 167,700	\$ 435,101
Accrued vacation	279,950	275,145
Other accrued expenses	218,988	-
	<u>\$ 666,638</u>	<u>\$ 710,246</u>

NOTE 10 LINE OF CREDIT

In April 2021, the Organization entered into a revolving credit line against one of their brokerage accounts. 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, 2022. 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% (2.75% and 1.25% at June 30, 2022 and 2021, respectively). 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, 2022 and 2021. The line has a maturity date of July 15, 2023 and bears interest at the Wells Fargo prime rate plus 0.25% as of June 30, 2022 and 2021 (5.00% and 3.50% at June 30, 2022 and June 30, 2021) with a 5% and 4% floor, respectively. The line of credit is secured by the Organization's inventory and accounts receivable.

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NOTE 11 BOARD DESIGNATED NET ASSETS

Net assets designated by the board of directors consists of the following at June 30:

	2022
Food purchases	\$ 13,951,088
Reserves and covid - disaster recovery	12,000,000
Building acquisition	10,000,000
Total board designated funds	\$ 35,951,088

There were no board designated net assets at June 30, 2021.

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS

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:

	2022	2021
Satisfaction of purpose restrictions:		
Backpack	\$ 866,705	\$ 828,755
Farm to family	231,640	283,900
FEED	204,735	-
Hunger Is	173,439	162,666
Diaper bank	113,481	178,853
College hunger relief & grab-n-go pantries	100,339	214,597
Supervisor grants	100,000	26,675
USO	99,383	-
CalFresh	97,024	-
Operation gobble	53,852	61,678
Gift card grants	25,165	25,016
Food boxes	15,745	-
Solar	14,464	-
Nourishing neighbors	-	87,444
Pantries	-	40,000
NBCUniversal	-	38,950
Van	-	20,000
	\$ 2,095,972	\$ 1,968,534

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Net assets with donor restrictions consist of the following at June 30:

	2022	2021
Subject to expenditure for specified purpose:		
Backpack program	\$ 978,785	\$ 1,513,430
FEED	177,803	-
Gift card grant	149,819	149,984
CalFresh	108,532	60,556
Solar	86,681	101,145
College hunger relief & grab-n-go pantries	50,471	97,810
Supervisor grants	25,000	100,000
USO	-	25,000
Diaper bank	-	10,684
	\$ 1,577,091	\$ 2,058,609

NOTE 13 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	\$ 735,421	\$ 1,626,105
Accounts receivable	2,090,059	1,183,129
Contributions receivable	8,175,653	57,000
Certificates of deposit	3,170,003	1,451,014
Investments	35,951,088	31,938,178
	\$ 50,122,224	\$ 36,255,426
Less:		
Board designated funds unavailable for general expenditure	35,951,088	-
Donor imposed restrictions making financial assets unavailable for general expenditure	1,577,091	2,058,609
	37,528,179	2,058,609
Financial assets available to meet general expenditure within one year	\$ 12,594,045	\$ 34,196,817

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

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in its reserve and investment accounts. In the event of an unanticipated liquidity need, the Organization also could draw upon its lines of credit (see note 10). The Organization also owns the building it operates in San Diego, CA debt free that it could borrow against if necessary.

NOTE 14 BUSINESS ENTERPRISE

Business enterprise revenue consists of the following:

	<u>2022</u>	<u>2021</u>
Non-cash food receipt contributions		
Donated	\$ 39,445,850	\$ 54,856,235
Government - EFAP	13,162,453	15,663,500
Government - CSFP	4,933,685	5,333,923
	<u>57,541,988</u>	<u>75,853,658</u>
Shared maintenance fees	352,129	428,843
Recycling and energy rebate	81,341	24,036
	<u>\$ 57,975,458</u>	<u>\$ 76,306,537</u>

NOTE 15 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>2022</u>	<u>2021</u>
Revenue		
Sponsorship	\$ 660,793	\$ 429,225
Donations	177,896	196,644
Ticket sales	173,319	112,872
Merchandise and auctions proceeds	118,101	12,800
Food and beverage	43,202	-
	<u>1,173,311</u>	<u>751,541</u>
Expenses:		
Direct benefits to donors	197,319	148,314
Other expenses	489,102	208,162
	<u>686,421</u>	<u>356,476</u>
Total net income	<u>\$ 486,890</u>	<u>\$ 395,065</u>

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

	2022	2021
Contract services	\$ 249,266	\$ 172,066
Supplies	156,890	63,876
Equipment rental	100,224	6,765
Direct mail and marketing	87,804	87,337
Other fundraising accounts	70,198	20,354
Printing and mailing	22,039	6,078
	\$ 686,421	\$ 356,476

NOTE 16 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, 2022 and 2021 was \$190,639 and \$160,452, respectively.

NOTE 17 COMMITMENTS

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

	2023	\$ 801,450
	2024	816,008
	2025	833,736
	2026	277,523
		\$ 2,728,717

Equipment and facility lease expense under these leases for the years ended June 30, 2022 and 2021 were approximately \$980,000 and \$743,000, respectively.

In addition, one of the leases includes costs for common area operating expenses at 66.19% of costs. For the years ended June 30, 2022 and 2021 these costs were approximately \$72,000 and \$0, respectively.

NOTE 18 RELATED PARTY TRANSACTIONS

The former President of the Organization was also a board member of the Board of California Association of Food Banks ("Association") during the year ended June 30, 2021. The Organization purchases food from the Association for various programs. For the year ended June 30, 2021, the Organization paid \$1,573,831 to the Association for food purchases. In addition, the Organization paid \$23,837 in annual membership dues for the year ended June 30, 2021. At June 30, 2021, the

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Organization owed the Association \$161,206 and is included in accounts payable on the statement of financial position.

The Association is also the pass-through agency for the SNAP program. For the year ended June 30, 2021, the Organization was reimbursed \$51,222 through the SNAP program. At June 30, 2021, the Organization had amounts due from the Association of \$13,191 and is included in accounts receivable on the statement of financial position.

NOTE 19 LITIGATION

The Organization is subject to lawsuits and claims, which arise out of the normal course of business. The Organization is subject to a former employee dispute. Management believes that this will be settled in 2023 and estimates the contingency at \$200,000. This contingency has been included in accrued liabilities on the balance sheet at June 30, 2022 and in miscellaneous expenses on the consolidated statement of functional expenses for the year ended June 30, 2022. In the opinion of management, based upon the opinions of legal counsel, management is unaware of additional lawsuits and claims.

NOTE 20 SUBSEQUENT EVENT

Management has evaluated subsequent events through March 10, 2023, 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.