

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
A NONPROFIT ORGANIZATION
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**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, 2019 and 2018, 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, 2019 and 2018, 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 cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE
An Accountancy Corporation

November 19, 2019

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
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	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 537,868	\$ 2,099,624
Certificates of deposit	2,207,242	1,228,361
Investments (note 6)	2,844,801	295,996
Accounts receivable (note 3)	664,940	583,305
Contributions receivable	229,034	268,960
Inventory (note 4)	5,069,420	3,620,455
Prepaid expenses and other current assets	124,675	121,154
	11,677,980	8,217,855
PROPERTY AND EQUIPMENT (note 5)	14,406,335	15,066,601
NONCURRENT ASSETS		
Other assets	10,509	10,509
TOTAL ASSETS	26,094,824	23,294,965
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	303,786	341,404
Accrued liabilities (note 8)	507,499	385,385
Customer advances	24,811	34,548
TOTAL LIABILITIES	836,096	761,337
NET ASSETS (note 10)		
Without donor restrictions	23,185,706	20,899,135
With donor restrictions	2,073,022	1,634,493
TOTAL NET ASSETS	25,258,728	22,533,628
TOTAL LIABILITIES AND NET ASSETS	\$ 26,094,824	\$ 23,294,965

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
REVENUES, GAINS AND OTHER SUPPORT			
Business enterprise (note 12)	\$ 41,739,386	\$ -	\$ 41,739,386
Private donations	5,803,742	1,759,087	7,562,829
Government contracts	2,593,934	-	2,593,934
	50,137,062	1,759,087	51,896,149
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
NET ASSET RESTRICTION TRANSFERS			
Revenue released from restriction	1,320,558	(1,320,558)	-
TOTAL REVENUE	52,686,230	438,529	53,124,759
EXPENSES			
Program services:			
Government programs	12,661,860	-	12,661,860
Non-Government programs	34,583,881	-	34,583,881
Total program services	47,245,741	-	47,245,741
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
	50,548,773	-	50,548,773
OTHER INCOME/(EXPENSE)			
Investment return	143,565	-	143,565
Other income	5,549	-	5,549
	149,114	-	149,114
CHANGE IN NET ASSETS	2,286,571	438,529	2,725,100
NET ASSETS, BEGINNING OF YEAR	20,899,135	1,634,493	22,533,628
NET ASSETS, END OF YEAR	\$ 23,185,706	\$ 2,073,022	\$ 25,258,728

See accompanying notes

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

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	Without donor Restrictions	With donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Support from the public:			
Business enterprise (note 12)	35,528,866	\$ -	\$ 35,528,866
Private donations	4,367,907	1,853,726	6,221,633
Government contracts	2,106,601	-	2,106,601
	42,003,374	1,853,726	43,857,100
Special events (note 13)			
Special events revenue	1,232,732	-	1,232,732
Direct benefits to donors	(256,545)	-	(256,545)
	976,187	-	976,187
NET ASSET RESTRICTION TRANSFERS			
Revenue released from restriction	1,254,552	(1,254,552)	-
TOTAL REVENUE	44,234,113	599,174	44,833,287
EXPENSES			
Program services:			
Government programs	9,252,358	-	9,252,358
Non-Government programs	32,497,222	-	32,497,222
Total program services	41,749,580	-	41,749,580
Supporting services:			
Management and general	632,999	-	632,999
Fundraising	2,510,367	-	2,510,367
Total supporting services	3,143,366	-	3,143,366
	44,892,946	-	44,892,946
OTHER INCOME/(EXPENSE)			
Investment return	38,850	-	38,850
Other income	5,264	-	5,264
	44,114	-	44,114
CHANGE IN NET ASSETS	(614,719)	599,174	(15,545)
NET ASSETS, BEGINNING OF YEAR	21,513,854	1,035,319	22,549,173
NET ASSETS, END OF YEAR	\$ 20,899,135	\$ 1,634,493	\$ 22,533,628

See accompanying notes

JACOBS & CUSHMAN SAN DIEGO FOOD BANK
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	10,842,358	31,683,516	42,525,874	3,822	2,841	6,663	42,532,537
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
	12,661,860	34,583,881	47,245,741	725,686	2,823,038	3,548,724	50,794,465
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>\$ 12,661,860</u>	<u>\$ 34,583,881</u>	<u>\$ 47,245,741</u>	<u>\$ 725,686</u>	<u>\$ 2,577,346</u>	<u>\$ 3,303,032</u>	<u>\$ 50,548,773</u>

See accompanying notes

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

	Program Services			Supporting Services			Total
	Government Programs	Non- Government Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Administrative support	\$ -	\$ -	\$ -	\$ 2,390	\$ -	\$ 2,390	\$ 2,390
Bank charges	-	2,172	2,172	25,479	57,089	82,568	84,740
Contract services	54,583	43,642	98,225	24,441	321,818	346,259	444,484
Depreciation and amortization	324,596	365,171	689,767	56,805	64,919	121,724	811,491
Direct mail and marketing	14,921	39,263	54,184	7,011	1,114,754	1,121,765	1,175,949
Dues and subscriptions	2,066	27,910	29,976	7,152	17,780	24,932	54,908
Equipment rental	3,411	5,381	8,792	2,038	64,929	66,967	75,759
Food acquisition and distribution	7,679,692	30,076,248	37,755,940	3,217	5,058	8,275	37,764,215
Insurance	12,068	16,853	28,921	15,510	3,443	18,953	47,874
Meeting expenses	106	7,442	7,548	5,809	9,396	15,205	22,753
Personnel expenses	963,034	1,452,735	2,415,769	451,829	893,067	1,344,896	3,760,665
Printing and mailing	23,380	32,383	55,763	3,219	55,501	58,720	114,483
Repairs and maintenance	38,146	56,126	94,272	5,059	17,162	22,221	116,493
Supplies	32,005	153,401	185,406	5,919	96,993	102,912	288,318
Telephone	7,642	15,176	22,818	1,081	1,376	2,457	25,275
Travel	14,470	36,282	50,752	7,163	29,553	36,716	87,468
Warehouse expenses	82,238	167,037	249,275	8,877	14,046	22,923	272,198
	9,252,358	32,497,222	41,749,580	632,999	2,766,884	3,399,883	45,149,463
Less: Direct benefits to donors at special events included in revenue	-	-	-	-	(256,545)	(256,545)	(256,545)
Total expenses included in the expense section of the statement of activities	<u>\$ 9,252,358</u>	<u>\$ 32,497,222</u>	<u>\$ 41,749,580</u>	<u>\$ 632,999</u>	<u>\$ 2,510,339</u>	<u>\$ 3,143,338</u>	<u>\$ 44,892,918</u>

See accompanying notes

**JACOBS & CUSHMAN SAN DIEGO FOOD BANK
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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	2019	2018
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 2,725,100	\$ (15,545)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	857,233	811,491
Loss on disposal of equipment	(2,500)	-
Net realized and unrealized investment gain	(87,534)	(12,565)
In-kind investment contributions	(165,370)	(102,660)
Change in contributed food inventory	(1,302,997)	268,214
Change in operating assets and liabilities:		
Accounts receivable	(81,635)	(211,936)
Contributions receivable	39,926	(34,310)
Inventories	(145,968)	(62,080)
Prepaid expenses and other current assets	(3,521)	(60,517)
Accounts payable	(37,618)	187,270
Accrued expenses	122,114	44,401
Customer advances	(9,737)	(3,979)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,907,493	807,784
CASH FLOWS USED BY INVESTING ACTIVITIES		
Cash paid for purchases of fixed assets	(196,967)	(439,859)
Cash paid for purchases of investments	(5,909,705)	(78,088)
Proceeds on sale of investments	2,634,923	-
Proceeds on sale of equipment	2,500	-
	(3,469,249)	(517,947)
NET INCREASE/(DECREASE) IN CASH	(1,561,756)	289,837
CASH, BEGINNING OF YEAR	2,099,624	1,809,787
CASH, END OF YEAR	\$ 537,868	\$ 2,099,624
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

See accompanying notes

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 THE ORGANIZATION

Jacobs & Cushman San Diego Food Bank (the "Organization"), incorporated under the laws of the State of California, operates as a nonprofit public-benefit organization that provides food to people in need, advocates for the hungry, connects the population it serves to a range of health and human service providers, and educates the public about hunger in San Diego County. The Organization operates as a central repository and distribution point for USDA commodities and donated food. Through its own direct distributions and through a network of over 460 nonprofit hunger relief organizations, Jacobs & Cushman San Diego Food Bank distributes approximately 31 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, 2019 and 2018.

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, 2019 and 2018, the USDA Emergency Food Assistance Program food product prices averaged \$0.83 and \$0.67 per pound, respectively, and USDA Commodity Supplemental Food Program food product prices averaged \$0.69 and \$0.68 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, 2019 and 2018.

Property and equipment – Property and equipment are carried at cost, or if donated, at fair value. The Organization capitalizes nonroutine improvements over \$5,000. Depreciation is computed using the straight-line method of depreciation over the assets estimated useful lives of five to thirty-nine years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Investments – Investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurement – The Organization follows accounting standards which define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements for all financial assets and liabilities.

Revenue recognition – Revenue is recognized when earned, which may be when cash is received, unconditional promises made, ownership of other assets transferred, or services rendered. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. Revenues from reimbursable expenses are recognized when all requirements are met and the Organization is entitled to the revenue. Shared maintenance fees represent amounts charged to agencies for food from the marketplace for a nominal per pound fee.

Concentrations – In the current period, a significant amount of food receipts and grants were provided by government contracts. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

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

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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, 2019 and 2018 program expenses were 93.47% and 93.00%, management and general were 1.44% and 1.41%, and fundraising were 5.09% and 5.59%, 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, 2019 and 2018, 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.

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization’s management elected to adopt this ASU effective for the year ended June 30, 2019.

The new standards change the following aspects of the Organization’s financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (note 11).
- The net asset disclosure was expanded.
- The description of the method of allocation of functional expenses has been expanded.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2019	2018
Government contracts receivable	\$ 617,186	\$ 553,005
Marketplace food purchases	47,754	29,894
Other receivables	-	406
	\$ 664,940	\$ 583,305

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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, 2019 and 2018.

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, 2019 and 2018, respectively.

NOTE 4 INVENTORY

Inventory consists of the following:

	2019	2018
Marketplace		
Donated	\$ 1,835,575	\$ 1,975,806
Purchased	284,816	211,832
	2,120,391	2,187,638
EFAP government contract	2,413,416	888,000
CSFP government contract	535,613	544,817
	\$ 5,069,420	\$ 3,620,455

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2019	2018
Building improvements	\$ 7,329,615	\$ 7,295,463
Building	5,578,840	5,578,840
Land	4,378,000	4,378,000
Warehouse equipment	1,280,530	1,173,283
Transportation equipment	836,083	799,682
Furniture and office equipment	445,362	438,194
	19,848,430	19,663,462
Accumulated depreciation	(5,442,095)	(4,596,861)
	\$ 14,406,335	\$ 15,066,601

Depreciation expense was \$857,233 and \$811,491 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 INVESTMENTS

The Organization invests funds in a professionally managed portfolio that may include various types of fixed income investments. Some of these investments are exposed to various risks, such as fluctuations in market value, interest rate, or credit risk. Therefore, the Organization's investments may be subject to

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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:

	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

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

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

	2019	2018
Interest and dividends	\$ 56,031	\$ 26,403
Realized and unrealized gains	\$ 87,534	\$ 12,565

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.

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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, 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>

Financial assets and liabilities carried at fair value at June 30, 2018 are classified below in one of three categories described above. The table below presents the balances of assets measured at fair value on a recurring basis.

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

The tables above exclude investments in certificates of deposits which are accounted for on the cost basis of \$2,207,242 and \$1,228,361 at June 30, 2019 and 2018, 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:

	2019	2018
Accrued payroll	\$ 318,380	\$ 232,927
Accrued vacation	188,669	151,758
Accrued other	450	700
	<u>\$ 507,499</u>	<u>\$ 385,385</u>

NOTE 9 LINE OF CREDIT

The Organization has a \$1,000,000 line of credit with Wells Fargo. The Organization has not drawn upon the line of credit as of June 30, 2019 and 2018. The line has a maturity date of December 15, 2019 and bears interest at the Wells Fargo prime rate plus 0.25% and 0.75% as of June 30, 2019 and 2018, respectively, (6.25% at June 30, 2019 and 5.75% at June 30, 2018) with a 5% 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:

	2019	2018
Capital expenditures	\$ -	\$ 90,000
Purpose restriction accomplished:		
Backpack	506,962	394,983
FEED	255,003	-
Farm to family	211,457	293,547
College hunger relief & grab-n-go pantries	145,331	17,084
Hunger Is	130,884	126,238
Disaster relief	38,194	211,806
Operation gobble	28,448	35,371
Diaper bank	4,118	13,704
Roof	161	-
Solar	-	4,200
SONDAS	-	31,833
Mid city	-	35,816
	<u>1,320,558</u>	<u>1,164,582</u>
	<u>\$ 1,320,558</u>	<u>\$ 1,254,582</u>

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Net assets consist of the following at June 30:

	2019	2018
Without donor restrictions	\$ 23,185,706	\$ 20,899,135
With donor restrictions:		
Backpack program	1,579,762	1,423,361
FEED	119,997	-
Solar	101,145	100,823
College hunger relief & grab-n-go pantries	231,079	52,946
Diaper bank	41,039	18,936
Disaster relief	-	38,194
Roof	-	161
Operation gobble	-	72
	<u>2,073,022</u>	<u>1,634,493</u>
Total net assets	<u>\$ 25,258,728</u>	<u>\$ 22,533,628</u>

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	\$ 537,868
Accounts receivable	664,940
Contributions receivable	229,034
Certificates of deposit	2,207,242
Investments	2,844,801
	<u>\$ 6,483,885</u>
Less:	
Donor imposed restrictions making financial assets unavailable for general expenditure	2,073,022
Financial assets available to meet general expenditure within one year	<u>\$ 4,410,863</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

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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>2019</u>	<u>2018</u>
Non-cash food receipt contributions		
Donated	\$ 29,331,996	\$ 27,938,935
Government - EFAP	8,947,681	4,442,119
Government - CSFP	2,880,259	2,706,442
	<u>41,159,936</u>	<u>35,087,496</u>
Shared maintenance fees	567,880	427,658
Recycling and energy rebate	11,570	13,712
	<u>\$ 41,739,386</u>	<u>\$ 35,528,866</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>2019</u>	<u>2018</u>
Revenue		
Sponsorship	\$ 696,631	\$ 663,088
Ticket sales	229,953	210,755
Donations	316,076	171,563
Merchandise and auctions proceeds	165,874	130,018
Food and beverage	65,768	57,308
	<u>1,474,302</u>	<u>1,232,732</u>
Expenses:		
Direct benefits to donors	245,692	256,545
Other expenses	493,819	375,551
	<u>739,511</u>	<u>632,096</u>
Total net income	<u>\$ 734,791</u>	<u>\$ 600,636</u>

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

	2019	2018
Contract services	\$ 327,763	\$ 296,143
Direct mail and marketing	157,439	124,819
Supplies	106,039	92,729
Equipment rental	72,318	62,827
Other fundraising accounts	46,857	36,010
Printing and mailing	29,095	19,568
	\$ 739,511	\$ 632,096

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, 2019 and 2018 was \$137,466 and \$121,077, respectively.

NOTE 15 COMMITMENTS

The Organization leases equipment and trucks under an operating leases that expire between February 2019 and June 2023. Minimum future payments under non-cancelable operating lease having remaining terms in excess of one year for the years ended June 30 are as follows:

	2020	\$	113,796
	2021		113,796
	2022		110,852
	2023		83,633
	2024		23,628
	2025		23,628
		\$	469,333

Equipment lease expense for the years ended June 30, 2019 and 2018 were approximately \$114,000.

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, 2019 and 2018, the Organization paid \$1,391,414 and \$720,924, respectively, to the Association for food purchases. In addition, the Organization paid \$16,275 in annual membership dues for the years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the Organization owes the Association \$45,390 and \$24,686, 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, 2019 and 2018, the Organization was reimbursed \$42,773 and \$41,833, respectively, through the SNAP program. At June 30, 2019 and 2018, the Organization has amounts due from the Association of \$22,143 and \$30,765, respectively, and is included in accounts receivable on the statement of financial position.

NOTE 17 SUBSEQUENT EVENT

Management has evaluated subsequent events through November 19, 2019, 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.