

Food Bank of Contra Costa and Solano

Financial Statements

June 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Food Bank of Contra Costa and Solano
Concord, California

Opinion

We have audited the accompanying financial statements of Food Bank of Contra Costa and Solano (the "Food Bank"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of Contra Costa and Solano as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Food Bank of Contra Costa and Solano 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.

Correction of Errors

As discussed in Note 2 to the financial statements, certain errors resulting in the understatement of net assets and change in net assets as of and for the year ended June 30, 2022 were identified. Accordingly, amounts reported in the statement of activities "net assets, beginning of year" have been restated as of June 30, 2022 in the financial statements now presented, to correct the error. Our opinion is not modified with respect to that matter.

Change in Accounting Principle

As described in Note 4 to the financial statements, the Food Bank has adopted Accounting Standards Codification ("ASC") 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Bank of Contra Costa and Solano's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, including omissions, 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 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 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 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 Food Bank of Contra Costa and Solano'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Bank of Contra Costa and Solano'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.



Armanino^{LLP}
San Jose, California

April 1, 2024

Food Bank of Contra Costa and Solano
Statement of Financial Position
June 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 16,258,850
Accounts receivable from affiliated agencies	59,779
Grants and contributions receivable	1,527,777
Inventory	6,969,660
Prepaid and other current assets	<u>1,295,424</u>
Total current assets	<u>26,111,490</u>
Noncurrent assets	
Investments	84,281
Property and equipment, net	8,756,993
Operating lease right-of-use asset	6,210,480
Finance lease right-of-use assets	<u>187,039</u>
Total noncurrent assets	<u>15,238,793</u>
Total assets	<u>\$ 41,350,283</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 1,115,187
Accrued expenses	916,665
Current portion of operating lease liability	669,500
Current portion of finance lease liabilities	<u>90,648</u>
Total current liabilities	<u>2,792,000</u>
Long-term liabilities	
Operating lease liability, net of current portion	5,628,325
Finance lease liabilities, net of current portion	<u>140,004</u>
Total long-term liabilities	<u>5,768,329</u>
Total liabilities	<u>8,560,329</u>
Net assets	
Without donor restrictions	
Undesignated	15,327,443
Board designated - building maintenance and enhancement	100,000
Board designated - disaster response	1,000,000
Board designated - inventory	6,969,660
Board designated - property and equipment	<u>8,756,993</u>
Total without donor restrictions	32,154,096
With donor restrictions	
Total net assets	<u>635,858</u>
Total net assets	<u>32,789,954</u>
Total liabilities and net assets	<u>\$ 41,350,283</u>

The accompanying notes are an integral part of these financial statements.

Food Bank of Contra Costa and Solano
Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions in-kind	\$ 106,694,239	\$ -	\$ 106,694,239
Grants and contributions	14,001,070	2,468,233	16,469,303
Government grants	9,290,965	-	9,290,965
Food sales to other agencies	1,556,986	-	1,556,986
Interests and dividends	590,032	-	590,032
Other income	393,948	-	393,948
Net assets released from restriction	5,588,818	(5,588,818)	-
Total support and revenue	138,116,058	(3,120,585)	134,995,473
Functional expenses			
Program services	136,169,118	-	136,169,118
Management and general	1,461,372	-	1,461,372
Fundraising	3,481,316	-	3,481,316
Total functional expenses	141,111,806	-	141,111,806
Change in net assets	(2,995,748)	(3,120,585)	(6,116,333)
Net assets, beginning of year, as restated (see Note 2)	35,149,844	3,756,443	38,906,287
Net assets, end of year	\$ 32,154,096	\$ 635,858	\$ 32,789,954

The accompanying notes are an integral part of these financial statements.

Food Bank of Contra Costa and Solano
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Pantry / Soup Kitchen	Community Produce Program	NOR / Cluster Program and Other Food Banks	Non Major Programs	Total Program Services	Management and General	Fundraising	Total
Personnel expenses								
Salaries and wages	\$ 1,755,138	\$ 945,460	\$ 400,727	\$ 3,386,089	\$ 6,487,414	\$ 842,130	\$ 1,221,257	\$ 8,550,801
Employee benefits	431,826	235,692	91,716	824,653	1,583,887	122,947	157,469	1,864,303
Payroll taxes	144,481	79,724	31,590	284,268	540,063	57,325	98,291	695,679
Total personnel expenses	2,331,445	1,260,876	524,033	4,495,010	8,611,364	1,022,402	1,477,017	11,110,783
Donated food	34,294,700	9,796,998	49,195,587	12,728,231	106,015,516	-	-	106,015,516
Food purchases	4,832,763	2,123,962	640,391	3,438,905	11,036,021	-	-	11,036,021
Food acquisition expense	1,134,850	416,782	323,456	637,961	2,513,049	-	-	2,513,049
Professional services	188,675	105,373	34,619	471,955	800,622	234,508	599,055	1,634,185
Grants to agencies	780,000	-	847,092	-	1,627,092	-	-	1,627,092
Depreciation and amortization	493,244	205,264	125,974	450,874	1,275,356	36,860	83,606	1,395,822
Warehouse rental	512,056	196,020	141,242	344,804	1,194,122	-	-	1,194,122
Printing and publications	12,941	15,664	2,283	39,167	70,055	-	1,050,571	1,120,626
Transportation	304,538	125,789	112,637	183,734	726,698	-	-	726,698
Warehouse supplies	155,128	127,634	42,743	100,007	425,512	-	-	425,512
Other staffing expenses	63,980	26,217	16,920	160,857	267,974	25,801	42,666	336,441
Equipment	95,388	41,744	25,184	121,062	283,378	13,024	28,277	324,679
Maintenance and repairs	87,780	36,365	22,520	79,049	225,714	6,308	14,307	246,329
Telephone and utilities	67,716	34,792	13,241	111,757	227,506	15,710	34,409	277,625
Gift certificated distributed	228,569	-	-	3,571	232,140	-	-	232,140
Travel and conferences	51,362	13,845	17,261	55,236	137,704	21,225	16,722	175,651
Dues and subscriptions	23,180	11,112	4,986	52,540	91,818	5,062	39,755	136,635
Parking lot rental	23,745	12,857	4,240	43,188	84,030	6,324	14,344	104,698
Garbage removal	45,359	16,659	12,944	25,455	100,417	-	-	100,417
Insurance	16,384	8,871	2,925	29,802	57,982	12,271	14,991	85,244
Miscellaneous	-	-	-	65,183	65,183	98	7,387	72,668
Office supplies	15,065	7,728	2,999	27,178	52,970	4,961	9,725	67,656
Fees and service charges	8,705	2,355	809	7,907	19,776	34,043	13,209	67,028
Events and promotional expense	10,017	3,679	2,859	6,162	22,717	-	15,658	38,375
Postage and shipping	1,244	236	462	2,460	4,402	1,789	19,617	25,808
Property taxes	-	-	-	-	-	13,522	-	13,522
Interest	-	-	-	-	-	7,464	-	7,464
	<u>\$ 45,778,834</u>	<u>\$ 14,590,822</u>	<u>\$ 52,117,407</u>	<u>\$ 23,682,055</u>	<u>\$ 136,169,118</u>	<u>\$ 1,461,372</u>	<u>\$ 3,481,316</u>	<u>\$ 141,111,806</u>
Percentage of total	<u>32.4 %</u>	<u>10.3 %</u>	<u>36.9 %</u>	<u>16.8 %</u>	<u>96.5 %</u>	<u>1.0 %</u>	<u>2.5 %</u>	<u>100.0 %</u>

The accompanying notes are an integral part of these financial statements.

Food Bank of Contra Costa and Solano
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities	
Change in net assets	\$ (6,116,333)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization expense	1,395,822
In-kind contributions of food and non-food supplies (including government and non-government)	(106,557,940)
Distribution of food and non-food supplies received in-kind	106,015,516
Net realized and unrealized losses on investments	1,579
Amortization of operating lease right-of-use asset	716,577
Changes in operating assets and liabilities	
Accounts, grants and contributions receivable	1,604,781
Inventory	465,575
Prepaid and other current assets	(385,815)
Accounts payable	(128,524)
Accrued expenses	139,161
Operating lease liability	<u>(629,232)</u>
Net cash used in operating activities	<u>(3,478,833)</u>
Cash flows from investing activities	
Purchase of property and equipment	(2,753,340)
Proceeds from sale of investments	<u>1,010,968</u>
Net cash used in investing activities	<u>(1,742,372)</u>
Cash flows from financing activities	
Repayment of principal - finance lease liabilities	<u>(37,177)</u>
Net cash used in financing activities	<u>(37,177)</u>
Net decrease in cash and cash equivalents	(5,258,382)
Cash and cash equivalents, beginning of year	<u>21,517,232</u>
Cash and cash equivalents, end of year	<u><u>\$ 16,258,850</u></u>

Supplemental schedule of noncash investing and financing activities

Operating and finance lease right-of-use assets obtained in exchange for lease liabilities.	\$ 7,194,886
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The accompanying notes are an integral part of these financial statements.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

1. NATURE OF OPERATIONS

The Food Bank of Contra Costa and Solano (the "Food Bank") was incorporated on July 28, 1975. The Food Bank was established in order to efficiently gather, warehouse and distribute food products to Contra Costa charities meeting emergency food needs. In November 1996 the Food Bank took over responsibility for providing food to Solano County charities. In furtherance of its purpose, the Food Bank provides food to supplemental feeding programs, promotes awareness of hunger, food waste and the value of proper nutrition. The Food Bank is governed by a Board of Directors comprising sixteen members. The Food Bank receives funding from private and public sources.

2. CORRECTION OF ERRORS

Certain errors were discovered during the current year relating to the financial statements for the year ended June 30, 2022. The Food Bank erroneously recorded various donor restricted and donor unrestricted unconditional grants and contributions as deferred revenue instead of recognizing them as income for the year ended June 30, 2022. Accordingly, amounts reported on the statement of activities "net assets, beginning of year" have been restated as of June 30, 2022 in the financial statements now presented, to correct the error.

The effects of the restatement to June 30, 2022 are as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Grants and contributions for the year ended June 30, 2022	\$ 20,753,149	\$ 4,217,054	\$ 24,970,203
Change in net assets for year ended June 30, 2022	444,178	4,217,054	4,661,232
Net assets as of June 30, 2022	34,689,233	4,217,054	38,906,287
Total liabilities as of June 30, 2022	6,238,270	(4,217,054)	2,021,216

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

3. PROGRAM SERVICES

The Food Bank's programs include:

Pantry/Soup Kitchens Program – this program provides food to local nonprofit agencies that provide food baskets and hot meals to people in need in Contra Costa and Solano Counties.

Community Produce Program – this program distributes fresh fruits and vegetables to low-income neighborhoods throughout Contra Costa and Solano Counties. Two refrigerated trucks serve as mobile distribution vehicles and together make 100 stops per month.

NOR / Cluster Program and Other Food Banks – the Food Bank of Contra Costa and Solano has the responsibility for distributing food to collaborating food banks in Northern California and Nevada through the “cluster” distribution system encouraged by our national network. In addition, the Food Bank shares food with local food banks in the Bay Area / Northern California area in order to increase the amount and variety of food available to the Food Bank and other partners.

Non Major Programs consist of the following:

School Pantry Program – this program provides shelf-stable food items to high schools and middle schools where 50% or more of the students receive free or reduced price lunches.

Senior Food Program – needy senior citizens in Contra Costa and Solano Counties are provided with a nutritious bag of food on a twice a month basis under this program.

Food Assistance Program – this U.S. Department of Agriculture program funds the distribution of commodities to people in need in Contra Costa and Solano Counties.

Other Agencies Program – these include local charitable organizations.

Food for Children Program – this program provides over 25 pounds of groceries every month to nearly nine hundred children from low-income families in Contra Costa County and Solano Counties.

Farm 2 Kids Program – this program provides fresh fruits and vegetables to children of low-income families through partnerships with after school programs.

Extra Helpings Program – this program serves low-income individuals in Contra Costa County who are chronically ill and in case management. Funding for this program comes from the Ryan White Care Act.

CalFresh Program – Food Bank staff and volunteers help clients determine if they are eligible and assist in applying for CalFresh (formally known as Food Stamps). This helps increase the number of people who are eligible receive benefits as well as debunk common myths surrounding the program.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

3. PROGRAM SERVICES (continued)

Harvest to Home – fresh produce and bread are distributed to low-income housing complexes twice a month.

Education and Advocacy Program – the Food Bank continues its efforts to educate the public about the reasons hunger exists in our community. By educating the community and urging them to take steps to address hunger, the Food Bank hopes to improve the circumstances of people in need. The Food Bank is involved in Nutrition Education and Advocacy.

Mobile Food Pantry Program – the Mobile Food Pharmacy is a mobile pantry with healthy food at Solano County Public Health clinics. Public health patients who are food insecure are prescribed healthy food boxes to help reduce instances of diet-related diseases. They are given a box of shelf-stable items as well as fresh produce.

NOR / CSFP Program – retail grocery stores in Contra Costa and Solano Counties participate in the Grocery Recovery Program, donating millions of pounds of food each year. The Food Bank's Food Resource Developer develops and maintains the Food Bank's relationships with donor groceries, ensuring that donations are optimized through coordinated scheduling and regular communication. Donated food is collected and loaded onto the Food Bank's refrigerated trucks and transported to the warehouse in Concord, where it is weighed, logged, and checked for food safety by trained Food Bank staff and volunteers. Rescued food is then distributed through the Food Bank's 180 partner agencies. Some of the pick-ups are done directly by Food Bank partner agencies. Agencies report all pounds collected by category through an online portal called Meal Connect.

COVID-19 Program – the Food Bank of Contra Costa and Solano's COVID-19 Program includes direct expenses for additional food purchases and personnel expenses.

Disaster Program – the Food Bank of Contra Costa and Solano Disaster Program includes any personnel and non-personnel expenses related to the Food Bank's response to serving areas effected by disasters.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of Food Bank of Contra Costa and Solano have been prepared on the accrual basis of accounting.

Financial statement presentation

The Food Bank follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles generally accepted in the United States of America, the Food Bank reports its financial position and operating activities in two classes of net assets: without donor restrictions and with donor restrictions.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets without donor restrictions* - include those assets used to carry out the operations of the Food Bank. Under this category, the Food Bank maintains an operating fund, any net assets designated by the Board for specific purposes, inventory, and property and equipment funds.
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.

Adoption of accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Food Bank adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 through a cumulative effect adjustment, with certain practical expedients available.

The Food Bank elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, Food Bank recognized on July 1, 2022, an initial lease liability of \$7,194,886 which represents the present value of the remaining operating and finance lease payments of \$8,142,336 discounted using the risk-free rate of 2.88% and a right-of-use asset of \$7,194,886. The accounting adoptions did not have a material impact on the Food Bank's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of the ROU assets and lease liabilities for the operating and finance leases on the statement of financial position as of June 30, 2023.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Food Bank considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Concentration of credit risk

The Federal Deposit Insurance Corporation ("FDIC") insures account balances at each insured institution up to \$250,000. At various times during the year, cash at these institutions exceeded federally insured limits, however, management believes the Food Bank is not exposed to any significant credit risk related to cash.

Investments

Investments are measured at fair value on the statement of financial position. Unless donor or law restricts the income or loss, investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in net assets without donor restrictions.

Fair value measurements

The Food Bank reports certain assets and liabilities at fair value in the financial statements. Fair value is defined as 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. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on observable and non-observable inputs. Observable inputs consist of data obtained from independent sources. Non-observable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

The three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, the Food Bank develops inputs using the best information available in the circumstances.

Accounts receivable from affiliated agencies

Accounts receivable represent amounts due from affiliated agencies and are stated at the amount the Food Bank expects to collect for food sales to other agencies. Accounts receivable are recorded net of an allowance for expected losses. An allowance for doubtful accounts receivable is established based on management's judgment including such factors as prior collection history and current aging of the receivables. Management considers all accounts receivable from affiliated agencies as of June 30, 2023 to be fully collectible

Grants and contributions receivable

Government grants receivable represent grants from government agencies. Non-government grants and contributions receivable represent grants and contributions from foundations, corporations, and individuals. An allowance for doubtful grants and contributions receivable is established based on management's judgment including such factors as prior collection history and current aging of the receivables. Management considers all grants and contributions receivable as of June 30, 2023 to be fully collectible.

Inventory

Inventory consists of donated non-government food, United States Department of Agriculture ("USDA") food commodities received from the government, and purchased food. Donated non-government food was valued at \$1.93 per pound as of and for the year ended June 30, 2023. Donated government food was valued at \$1.57 per pound as of and for the year ended June 30, 2023. This valuation is based on a cost study conducted for Feeding America. Purchased food is valued at the latest purchase price.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Purchased furniture and equipment are stated at cost. Furniture and equipment contributed to the Food Bank are stated at estimated fair value at the time of contribution. Such contributions are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Property and equipment contributed with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Food Bank reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Expenditures that materially increase the value or life of property and equipment are capitalized and depreciated over the remaining useful life of the asset.

All property and equipment purchases above \$5,000 are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets (ranging from three to thirty years). Depreciation is charged as an expense against operations.

Accrued vacation

Accrued vacation is comprised of unused vacation leave and certain compensated time off, which are accrued as earned. The liability is determined monthly and is included in accrued liabilities on the statement of financial position. Management has determined that all balances are classified as current.

Grants and contributions

Grants and contributions are recorded upon receipt. All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support and revenue with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

The Food Bank generates a significant amount of support from providing services to accomplish its program and support services through cost reimbursement government funded programs. The support generated from these services is recorded as government grants in the statement of activities. These government grants meet the criteria to be classified as conditional contributions under GAAP revenue recognition for nonprofit organizations as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. The Food Bank has elected a simultaneous release option to account for these grants. Therefore, they are recorded as government grants without donor restrictions upon satisfaction of the barriers. In the event amounts are received but the barriers have not been met, the Food Bank records such amounts as refundable advances.

Contributions in-kind

Donated non-government products were valued at \$1.93 per pound for the year ended June 30, 2023. Donated government food was valued at \$1.57 per pound for the year ended June 30, 2023. This valuation is based on a cost study conducted for Feeding America. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Food Bank would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Food Bank also receives donated services that do not require specific expertise but which are nonetheless central to the Food Bank's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in Note 9.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program services, management and general, or fundraising categories based on specific identification. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage. Personnel costs, including salaries and fringe benefits, are allocated based on the estimated percentage of time each position works in program services, management and general, or fundraising functions. Other costs are allocated using the pounds distributed and/or the full-time equivalent ratio for personnel in each program.

Advertising costs

Advertising costs, if any, are expensed as incurred.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Food Bank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a).

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all positions taken by the Food Bank in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Food Bank's federal returns for the years ended June 30, 2022, 2021, and 2020 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Food Bank's state returns for the years ended June 30, 2022, 2021, 2020, and 2019 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Subsequent events

The Food Bank evaluated subsequent events for recognition and disclosure through April 1, 2024, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that require recognition or disclosure in the financial statements.

5. INVENTORY

Inventory consists of donated non-government food, purchased food, and United States Department of Agriculture ("USDA") food commodities received from the government. Donated non-government products were valued at \$1.93 per pound for the year ended June 30, 2023. Donated government food was valued at \$1.57 per pound for the year ended June 30, 2023. This valuation is based on a cost study conducted for Feeding America.

Inventory consisted of the following:

USDA food commodities	\$ 2,215,852
Donated non-government food	3,354,276
Purchased food	<u>1,399,532</u>
	<u>\$ 6,969,660</u>

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6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Vehicles	\$ 4,118,384
Furniture and equipment	3,384,281
Building	3,294,746
Leasehold improvements	2,762,092
Building improvements	1,175,137
Construction in progress	1,058,878
Land	500,237
Computer hardware	388,560
Computer software	<u>268,509</u>
	16,950,824
Accumulated depreciation and amortization	<u>(8,193,831)</u>
	<u>\$ 8,756,993</u>

Depreciation and amortization expense for the year ended June 30, 2023 totaled \$1,395,822.

7. LINE OF CREDIT

The Food Bank has a \$500,000 line of credit with a bank with a maturity date of December 1, 2022. The line of credit carries a floating interest rate equal to the greater of the Index rate plus 0.5% or the Floor rate of 5%. The Index Rate is the Prime Rate set by the Bank. There were no draws or repayments made throughout the year, and no outstanding balance against the line of credit as of June 30, 2023.

8. LEASES

In August 2020, the Food Bank entered into a noncancelable operating lease with a third party to lease a 104,000 square foot warehouse in Fairfield, California, to be used for general office administration, warehousing and distribution of food and food related products. The ten-year lease commenced December 1, 2020 and runs through February 28, 2031. No payment was required for the first three months. The monthly base rent of \$65,520 began on March 1, 2021, and increases 2.625% annually on December 1st. The Food Bank also pays monthly operating and common area maintenance fees of approximately \$16,640.

The Food Bank has entered into several finance lease agreements to finance the purchase of vehicles and other equipment. The lease agreements mature at various dates through in April 2027 and require monthly payments ranging from \$2,317 to \$3,276.

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8. LEASES (continued)

The components of lease costs as of June 30, 2023 were as follows:

Operating lease cost	\$	906,579
Finance lease cost		
Amortization of right-of-use assets		80,790
Interest on lease liabilities		7,464
Variable lease cost		183,863
Total lease cost	\$	1,178,696
Right-of-use asset obtained in exchange for operating lease liability	\$	6,927,057
Right-of-use assets obtained in exchange for finance lease liabilities	\$	267,829

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2023:

Weighted average remaining lease term		
Operating lease		8.67 years
Finance leases		2.83 years
Weighted average discount rate		
Operating lease		2.88 %
Finance leases		2.88 %

Future minimum lease payments under non-cancelable leases as of June 30, 2023 were as follows:

<u>Year ending June 30,</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2024	\$ 840,737	\$ 96,025	\$ 936,762
2025	862,805	72,578	935,383
2026	885,456	39,312	924,768
2027	908,702	32,708	941,410
2028	932,555	-	932,555
Thereafter	2,607,530	-	2,607,530
	7,037,785	240,623	7,278,408
Less: debt discount	(739,960)	(9,971)	(749,931)
Lease liabilities, net of discount	6,297,825	230,652	6,528,477
Current portion	(669,500)	(90,648)	(760,148)
	\$ 5,628,325	\$ 140,004	\$ 5,768,329

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9. CONTRIBUTIONS IN-KIND

The estimated fair value of donated food, equipment, rent, expert services, and supplies received are recorded as contributions. Donated government food and non-government products were valued at \$1.57 and \$1.93 per pound for the year ended June 30, 2023, respectively. This valuation was based on a cost study conducted for Feeding America. Donated rent recognized was valued at the estimated fair value of current rates for rent of similarly sized and located properties. All donated rent are utilized by the Food Bank for program services, management and general and fundraising purposes.

Contributions in-kind for the year ended June 30, 2023 are as follows:

Government support - in-kind food	
Food - government	<u>\$ 7,712,467</u>
Contributions in-kind - non-government	
Food - non-government	98,845,473
Donated rent	<u>136,299</u>
	<u>98,981,772</u>
Total contributions in-kind	<u><u>\$ 106,694,239</u></u>

The Food Bank also receives donated services that do not require specific expertise but which are nonetheless central to the Food Bank's operations. The Food Bank relies on volunteers from the community to sort, glean, and repack donated food. The estimated value of these services for the year ended June 30, 2023, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$3,438,590. In accordance with accounting principles generally accepted in the United States of America, the value of these services is not reflected in the financial statements.

10. RETIREMENT PLAN

The Food Bank maintains a 403(b) defined contribution retirement plan for all qualified employees. The Food Bank matches up to 3% of qualified compensation for the benefit of qualified employees. For the year ended June 30, 2023, employer contributions to the plan was \$159,226.

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11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specific purpose	
Raley's grant	\$ 159,890
NorCal grocery recovery grant	162,374
Cherie Howard Endowment Fund - subject to appropriation and spending policy	8,681
Other purpose restrictions	<u>195,295</u>
	<u>526,240</u>
Time restriction	
2023 / 2024 funding	<u>34,008</u>
To be held in perpetuity	
Laurel Resources Endowment Fund	<u>75,600</u>
	<u>\$ 635,848</u>

Net assets with donor restrictions released from restriction during the year were as follows:

Restricted for a specific purpose	
Raley's grant	\$ 1,593,945
NorCal grocery recovery grant	806,104
Cherie Howard Endowment Fund - subject to appropriation and spending policy	1,579
Other purpose restrictions	<u>2,554,858</u>
	<u>4,956,486</u>
Time restriction	
2022 / 2023 funding	<u>632,332</u>
	<u>\$ 5,588,818</u>

12. ENDOWMENT

The Food Bank's endowments consist of the Laurel Resource Endowment Fund and the Cherie Howard Endowment Fund, which were established to generate income, as restricted by the donors. The Laurel Resources Endowment Fund requires the principal be invested in perpetuity, and the income be used for the Food Bank's operations. The Cherie Howard Endowment Fund requires the principal and income be used for Food Bank operations equally over a twenty-five year period beginning January 1, 2004. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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12. ENDOWMENT (continued)

Interpretation of relevant law

The Food Bank is subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors of the Food Bank has interpreted UPMIFA as not requiring the preservation of the fair value of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Food Bank retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Food Bank in a manner consistent with the standard of prudence prescribed by UPMIFA. The Food Bank considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of the Food Bank and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Food Bank
- (7) The investment policies of the Food Bank

Return objectives and risk parameters

The Food Bank has adopted an investment policy with the primary investment objective to attempt to maximize total return, while assuming an appropriate level of risk given the nature of the funds under management. The goal is to produce a growing level of income and principal to ensure that the funding for the activities supported by the endowment can be maintained in the face of inflation.

Strategies employed for achieving objectives

Endowment assets are invested in mutual funds. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the permanent value of the endowed funds. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no deficiencies as of June 30, 2023.

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12. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
Cherie Howard Endowment Fund	\$ 8,681	\$ -	\$ 8,681
Laurel Resources Endowment Fund	-	75,600	75,600
	<u>\$ 8,681</u>	<u>\$ 75,600</u>	<u>\$ 84,281</u>

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	\$ -	\$ 85,860	\$ 85,860
Investment return			
Dividends and realized gains	-	2,359	2,359
Unrealized gains and adjustments	-	5,129	5,129
Appropriation of net assets	-	(9,067)	(9,067)
Balance, end of year	<u>\$ -</u>	<u>\$ 84,281</u>	<u>\$ 84,281</u>

13. BOARD DESIGNATED NET ASSETS

Building maintenance and enhancement

The Food Bank maintains a reserve to cover needs arising from future building maintenance and enhancement projects. The building maintenance and enhancement reserve balance as of June 30, 2023 was \$100,000.

Disaster response

The Food Bank maintains a reserve to cover unexpected expense needs or revenue shortfall due to emergency response and recovery efforts associated with natural, technological, man-made, and/or economic emergencies. The disaster response reserve balance as of June 30, 2023 was \$1,000,000.

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14. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, consisted of the following at June 30, 2023:

Financial assets	
Cash and cash equivalents	\$ 16,258,850
Accounts receivable from affiliated agencies	59,779
Grants and contributions receivable	1,527,777
Investments	<u>84,281</u>
	<u>17,930,687</u>
Less: amounts unavailable for general expenditures within one year	
Net assets held in perpetuity	(75,600)
Net assets with purpose restrictions	<u>(526,240)</u>
	<u>(601,840)</u>
	 <u>\$ 17,328,847</u>

The Board has established reserves of \$100,000 for building maintenance and enhancement, and \$1,000,000 for disaster response.