

Food Bank of Contra Costa and Solano

Financial Statements

June 30, 2024

(With Comparative Totals for 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 (a California nonprofit corporation) (the "Food Bank"), which comprise the statement of financial position as of June 30, 2024, 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, 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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 and *Government 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 and *Government 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2025, on our consideration of the Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Food Bank's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Food Bank of Contra Costa and Solano's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 1, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Jose, California

January 21, 2025

Food Bank of Contra Costa and Solano
Statement of Financial Position
June 30, 2024
(With Comparative Totals for 2023)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 14,784,701	\$ 16,258,850
Grants and contributions receivable	562,500	-
Accounts receivable from affiliated agencies	212,749	59,779
Government grants receivable	1,810,590	1,527,777
Inventory	7,891,833	6,969,660
Prepaid expenses and other current assets	1,011,396	1,295,424
Total current assets	26,273,769	26,111,490
Noncurrent assets		
Investments	93,949	84,281
Property and equipment, net	11,160,379	8,756,993
Operating lease right-of-use asset	5,475,138	6,210,480
Finance lease right-of-use assets	106,248	187,039
Total noncurrent assets	16,835,714	15,238,793
Total assets	\$ 43,109,483	\$ 41,350,283

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

Food Bank of Contra Costa and Solano
Statement of Financial Position
June 30, 2024
(With Comparative Totals for 2023)

	2024	2023
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 666,345	\$ 1,115,187
Accrued expenses	937,455	916,665
Refundable advances	26,209	-
Current portion of operating lease liability	711,521	669,500
Current portion of finance lease liabilities	69,721	90,648
Total current liabilities	2,411,251	2,792,000
Long-term liabilities		
Operating lease liability, net of current portion	4,916,804	5,628,325
Finance lease liabilities, net of current portion	70,283	140,004
Total long-term liabilities	4,987,087	5,768,329
Total liabilities	7,398,338	8,560,329
Net assets		
Without donor restrictions		
Undesignated	14,466,734	15,327,443
Board designated - building maintenance and enhancement	100,000	100,000
Board designated - disaster response	1,000,000	1,000,000
Inventory	7,891,833	6,969,660
Property and equipment	11,160,379	8,756,993
Total without donor restrictions	34,618,946	32,154,096
With donor restrictions	1,092,199	635,858
Total net assets	35,711,145	32,789,954
Total liabilities and net assets	\$ 43,109,483	\$ 41,350,283

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, 2024
(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Support and revenue				
Contributions in-kind	\$124,476,296	\$ -	\$124,476,296	\$106,694,239
Grants and contributions	20,003,333	1,359,741	21,363,074	16,469,303
Government grants	8,278,657	-	8,278,657	9,290,965
Food sales to other agencies	2,001,868	-	2,001,868	1,556,986
Interests and dividends	753,882	-	753,882	590,032
Other income	206,914	-	206,914	393,948
Net assets released from restriction	<u>903,400</u>	<u>(903,400)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>156,624,350</u>	<u>456,341</u>	<u>157,080,691</u>	<u>134,995,473</u>
Functional expenses				
Program services	149,130,649	-	149,130,649	136,169,118
Management and general	1,816,534	-	1,816,534	1,461,372
Fundraising	<u>3,212,317</u>	<u>-</u>	<u>3,212,317</u>	<u>3,481,316</u>
Total functional expenses	<u>154,159,500</u>	<u>-</u>	<u>154,159,500</u>	<u>141,111,806</u>
Change in net assets	2,464,850	456,341	2,921,191	(6,116,333)
Net assets, beginning of year	<u>32,154,096</u>	<u>635,858</u>	<u>32,789,954</u>	<u>38,906,287</u>
Net assets, end of year	<u>\$ 34,618,946</u>	<u>\$ 1,092,199</u>	<u>\$ 35,711,145</u>	<u>\$ 32,789,954</u>

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, 2024
(With Comparative Totals for 2023)

	NOR / Cluster						2024 Total	2023 Total
	Pantry / Soup Kitchen	Program and Other Food Banks	Non Major Programs	Total Program Services	Management and General	Fundraising		
Personnel expenses								
Salaries and wages	\$ 1,729,343	\$ 95,879	\$ 4,987,864	\$ 6,813,086	\$ 960,333	\$ 1,224,668	\$ 8,998,087	\$ 8,550,801
Employee benefits	455,817	20,774	1,374,248	1,850,839	165,129	182,053	2,198,021	1,864,303
Payroll taxes	143,320	7,503	417,304	568,127	70,567	98,411	737,105	695,679
Total personnel expenses	2,328,480	124,156	6,779,416	9,232,052	1,196,029	1,505,132	11,933,213	11,110,783
Donated food	45,059,283	45,750,842	33,305,698	124,115,823	-	-	124,115,823	106,015,516
Food purchases	2,008,060	52,689	3,429,742	5,490,491	-	-	5,490,491	10,764,771
Food acquisition expense	1,132,928	-	1,292,596	2,425,524	-	-	2,425,524	2,513,049
Professional services	178,541	7,486	834,444	1,020,471	166,556	550,837	1,737,864	1,634,185
Depreciation and amortization	607,565	6,441	939,854	1,553,860	46,644	85,998	1,686,502	1,395,822
Warehouse and office rental	434,026	78,390	621,133	1,133,549	16,906	21,256	1,171,711	1,201,586
Gift certificated distributed	780,850	-	34,613	815,463	-	3,900	819,363	232,140
Printing and publications	6,730	-	51,694	58,424	-	750,195	808,619	1,120,626
Transportation	257,711	56,303	401,522	715,536	-	55	715,591	726,698
Other staffing expenses	90,337	231	193,921	284,489	225,046	65,339	574,874	336,441
Food credits to agencies	384,949	1,250	92,499	478,698	-	-	478,698	271,250
Telephone and utilities	94,703	3,260	235,983	333,946	25,039	43,521	402,506	277,625
Warehouse supplies	114,612	294	225,887	340,793	1,307	2,409	344,509	425,512
Equipment	107,496	1,017	168,838	277,351	13,760	15,190	306,301	324,679
Maintenance and repairs	86,190	303	110,082	196,575	2,197	4,051	202,823	246,329
Travel and conferences	41,491	3,173	82,320	126,984	18,154	20,196	165,334	175,651
Dues and subscriptions	26,477	628	74,666	101,771	8,232	30,361	140,364	136,635
Garbage removal	56,907	-	65,054	121,961	-	-	121,961	100,417
Insurance	17,951	766	49,702	68,419	17,235	20,066	105,720	85,244
Parking lot rental	22,217	1,267	60,651	84,135	6,397	14,166	104,698	104,698
Miscellaneous	-	-	73,603	73,603	-	8,675	82,278	72,668
Fees and service charges	7,855	157	11,834	19,846	48,130	11,939	79,915	67,028
Office supplies	11,629	402	26,431	38,462	4,168	13,981	56,611	67,656
Events and promotional expense	3,410	-	7,672	11,082	10,700	23,325	45,107	38,375
Postage and shipping	1,274	130	2,933	4,337	919	21,725	26,981	25,808
Property taxes	-	-	-	-	9,115	-	9,115	13,522
Grants to agencies	-	1,476	5,528	7,004	-	-	7,004	1,627,092
	<u>\$ 53,861,672</u>	<u>\$ 46,090,661</u>	<u>\$ 49,178,316</u>	<u>\$ 149,130,649</u>	<u>\$ 1,816,534</u>	<u>\$ 3,212,317</u>	<u>\$ 154,159,500</u>	<u>\$ 141,111,806</u>
Percentage of total	<u>34.9 %</u>	<u>29.9 %</u>	<u>31.9 %</u>	<u>96.7 %</u>	<u>1.2 %</u>	<u>2.1 %</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, 2024
(With Comparative Totals for 2023)

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 2,921,191	\$ (6,116,333)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization expense	1,686,502	1,395,822
In-kind contributions of food (including government and non-government)	(124,371,598)	(106,557,940)
Distribution of food received in-kind	124,115,823	106,015,516
Net realized and unrealized (gains) losses on investments	(9,668)	1,579
Amortization of operating lease right-of-use asset	735,342	716,577
Loss on disposal of property and equipment	188,265	-
Changes in operating assets and liabilities		
Accounts, grants and contributions receivable	(998,283)	1,604,781
Inventory	(666,398)	465,575
Prepaid expenses and other current assets	284,028	(385,815)
Accounts payable	(448,842)	(128,524)
Accrued expenses	20,790	139,161
Refundable advances	26,209	-
Operating lease liability	(669,500)	(629,232)
Net cash provided by (used in) operating activities	2,813,861	(3,478,833)
Cash flows from investing activities		
Purchase of property and equipment	(4,197,362)	(2,753,340)
Proceeds from sale of investments	-	1,010,968
Net cash used in investing activities	(4,197,362)	(1,742,372)
Cash flows from financing activities		
Repayment of principal - finance lease liabilities	(90,648)	(37,177)
Net cash used in financing activities	(90,648)	(37,177)
Net decrease in cash and cash equivalents	(1,474,149)	(5,258,382)
Cash and cash equivalents, beginning of year	16,258,850	21,517,232
Cash and cash equivalents, end of year	\$ 14,784,701	\$ 16,258,850

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, 2024
(With Comparative Totals for 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. 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.

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:

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.

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.

Kids Nutrition On Weekends (K-NOW) – this program provides two breakfasts, two lunches and two snacks to bridge the weekend meal gap for school-aged children.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2024
(With Comparative Totals for 2023)

2. PROGRAM SERVICES (continued)

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.

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 Pharmacy 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 – the Food Bank operates the Commodity Supplemental Food Program that distributes government commodities to low-income adults 60 years and older. The Food Bank operates this program in partnership with 260 smaller nonprofit organizations throughout inland Northern California.

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.

3. 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, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2024
(With Comparative Totals for 2023)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation

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

- *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 June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to a financial instrument, including trade receivables, loan receivables, net investments in leases, and certain off-balance sheet credit exposures. Grant and contributions receivable are excluded from the CECL standard. The Food Bank doesn't have material financial assets that apply to the CECL.

The Food Bank adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements.

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.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2024
(With Comparative Totals for 2023)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in 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.

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.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2024
(With Comparative Totals for 2023)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expected credit losses. The Food Bank estimates the expected credit losses based on historical information, current conditions, and reasonable and supportable forecasts. Management considers all accounts receivable from affiliated agencies as of June 30, 2024 and 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, 2024 and 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 \$1.97 and \$1.93 per pound as of and for the years ended June 30, 2024 and 2023, respectively. Donated government food was valued at \$1.74 and \$1.57 per pound as of and for the years ended June 30, 2024 and 2023, respectively. This valuation is based on a cost study conducted for Feeding America. Purchased food is valued at the latest purchase price.

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.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2024
(With Comparative Totals for 2023)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and contributions

Grants and contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Grants and contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gifts are recognized as grants and contributions with or without donor restrictions. Grants and contributions are recorded as with or without donor restrictions depending on the nature of donor restrictions. Restricted grants and contributions are reported as increases in net assets without donor restrictions if the restrictions have been met in the same period as receipt. If the restriction has not been met by the end of the period of receipt, the amount is reported as an increase in net assets with donor restrictions. When the restriction is finally met on a grant or contribution received in a prior fiscal period, the amount is shown as a reclassification from net assets with donor restrictions to net assets without donor restrictions.

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' 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 8.

Food Bank of Contra Costa and Solano
Notes to Financial Statements
June 30, 2024
(With Comparative Totals for 2023)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, employee benefits and payroll taxes, 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.

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 23701d 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, 2023, 2022, and 2021 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, 2023, 2022, 2021, and 2020 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 January 21, 2025, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024 that require recognition or disclosure in the financial statements.

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4. INVENTORY

Inventory consisted of the following:

	2024	2023
USDA food commodities	\$ 2,755,591	\$ 2,215,852
Donated non-government food	3,073,124	3,354,276
Purchased food	2,063,118	1,399,532
	\$ 7,891,833	\$ 6,969,660

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2024	2023
Vehicles	\$ 5,505,387	\$ 4,118,384
Furniture and equipment	3,603,058	3,384,281
Building	3,308,664	3,294,746
Leasehold improvements	2,782,058	2,762,092
Building improvements	2,624,528	1,175,137
Construction in progress	1,435,313	1,058,878
Land	500,237	500,237
Computer hardware	352,782	388,560
Computer software	195,491	268,509
	20,307,518	16,950,824
Accumulated depreciation and amortization	(9,147,139)	(8,193,831)
	\$ 11,160,379	\$ 8,756,993

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 totaled \$1,686,502 and \$1,395,822, respectively.

6. LINE OF CREDIT

The Food Bank had a \$500,000 line of credit with a bank with a maturity date of December 1, 2022. The line of credit carried a floating interest rate equal to the greater of the Index rate plus 0.5% or the Floor rate of 5%. The Index Rate was 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. The Food Bank didn't renew the line of credit after maturity date.

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7. 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.

The components of lease costs as of June 30, 2024 were as follows:

Operating lease cost	\$ 906,579
Finance lease cost	
Amortization of right-of-use assets	80,790
Interest on lease liabilities	5,377
Variable lease cost	<u>178,965</u>
Total lease cost	<u>\$ 1,171,711</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2024:

Weighted average remaining lease term	
Operating lease	6.67 years
Finance leases	1.31 years
Weighted average discount rate	
Operating lease	2.89 %
Finance leases	2.89 %

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7. LEASES (continued)

Future minimum lease payments under non-cancelable leases as of June 30, 2024 were as follows:

<u>Year ending June 30,</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2025	\$ 862,805	\$ 72,578	\$ 935,383
2026	885,456	39,312	924,768
2027	908,702	32,760	941,462
2028	932,555	-	932,555
2029	957,034	-	957,034
Thereafter	<u>1,650,496</u>	<u>-</u>	<u>1,650,496</u>
	6,197,048	144,650	6,341,698
Less: imputed interest	<u>(568,723)</u>	<u>(4,646)</u>	<u>(573,369)</u>
Lease liabilities, net of imputed interest	5,628,325	140,004	5,768,329
Current portion	<u>(711,521)</u>	<u>(69,721)</u>	<u>(781,242)</u>
	<u>\$ 4,916,804</u>	<u>\$ 70,283</u>	<u>\$ 4,987,087</u>

8. 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 \$1.74 and \$1.97 per pound for the year ended June 30, 2024, respectively. 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 are as follows:

	<u>2024</u>	<u>2023</u>
Government support - in-kind food		
Food - government	\$ <u>12,564,904</u>	\$ <u>7,712,467</u>
Contributions in-kind - non-government		
Food - non-government	111,806,694	98,845,473
Donated rent	<u>104,698</u>	<u>136,299</u>
	<u>111,911,392</u>	<u>98,981,772</u>
Total contributions in-kind	<u>\$ 124,476,296</u>	<u>\$ 106,694,239</u>

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8. CONTRIBUTIONS IN-KIND (continued)

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 years ended June 30, 2024 and 2023, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$4,493,104 and \$3,438,590, respectively. 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.

9. 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 years ended June 30, 2024 and 2023, employer contributions to the plan were \$182,528 and \$159,226, respectively.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2024	2023
Restricted for a specific purpose		
Senior food	\$ 519,040	\$ -
Other purpose restrictions	87,935	195,305
CalFresh	69,066	-
Leadership	60,000	-
NorCal grocery recovery grant	18,575	162,374
Cherie Howard Term Endowment Fund - subject to appropriation and spending policy	7,103	8,681
Laurel Resources Endowment Fund - subject to appropriation and spending policy	11,246	-
Raley's grant	-	159,890
	772,965	526,250
Time restriction	243,634	34,008
To be held in perpetuity		
Laurel Resources Endowment Fund	75,600	75,600
	\$ 1,092,199	\$ 635,858

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10. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

	2024	2023
Restricted for a specific purpose		
Other purpose restrictions	\$ 245,306	\$ 2,554,858
Raley's grant	159,890	1,593,945
NorCal grocery recovery grant	143,799	806,104
CalFresh	125,934	-
Senior food	53,718	-
Cherie Howard Term Endowment Fund - subject to appropriation and spending policy	1,983	1,579
	730,630	4,956,486
Time restriction	172,770	632,332
	\$ 903,400	\$ 5,588,818

11. 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.

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:

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11. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (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, 2024.

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11. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2024 is as follows:

	Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
Cherie Howard Endowment Fund	\$ 7,103	\$ -	\$ 7,103
Laurel Resources Endowment Fund	<u>11,246</u>	<u>75,600</u>	<u>86,846</u>
	<u>\$ 18,349</u>	<u>\$ 75,600</u>	<u>\$ 93,949</u>

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	<u>-</u>	<u>75,600</u>	<u>75,600</u>
	<u>\$ 8,681</u>	<u>\$ 75,600</u>	<u>\$ 84,281</u>

Changes in endowment net assets for the fiscal year ended June 30, 2024 is as follows:

	Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
Balance, June 30, 2023	\$ 8,681	\$ 75,600	\$ 84,281
Dividends and realized gains	3,947	-	3,947
Unrealized gains and adjustments	7,704	-	7,704
Appropriation of net assets	<u>(1,983)</u>	<u>-</u>	<u>(1,983)</u>
Balance, June 30, 2024	<u>\$ 18,349</u>	<u>\$ 75,600</u>	<u>\$ 93,949</u>

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11. ENDOWMENT (continued)

Endowment composition (continued)

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

	Subject to Appropriation and Spending Policy	Held in Perpetuity	Total
Balance, June 30, 2022	\$ 10,260	\$ 75,600	\$ 85,860
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, June 30, 2023	\$ 8,681	\$ 75,600	\$ 84,281

12. 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, 2024 and 2023 was \$100,000, respectively.

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, 2024 and 2023 was \$1,000,000, respectively.

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13. 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:

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 14,784,701	\$ 16,258,850
Accounts receivable from affiliated agencies	212,749	59,779
Grants and contributions receivable	1,810,590	1,527,777
Investments	93,949	84,281
	16,901,989	17,930,687
Less: amounts unavailable for general expenditures within one year		
Net assets held in perpetuity	(75,600)	(75,600)
Net assets with purpose restrictions	(772,965)	(526,250)
	(848,565)	(601,850)
	\$ 16,053,424	\$ 17,328,837

The available financial assets include board-established reserves of \$100,000 for building maintenance and enhancement and \$1,000,000 for disaster response. If needed, these reserves could be made available in their entirety.