Food Bank Coalition of San Luis Obispo County
Financial Statements
Year Ended December 31, 2018

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Independent Auditors' Report

To the Board of Directors of
Food Bank Coalition of San Luis Obispo County

We have audited the accompanying financial statements of Food Bank Coalition of San Luis Obispo County (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility 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; this includes 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.

Auditors’ Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Basis for Qualified Opinion
As explained in Note 7 to the financial statements, a note payable that the Organization entered into in September 2018 is due on demand and is therefore not recorded properly in the financial statements as short-term debt. Accounting principles generally accepted in the United States of America require debt to be recorded based upon the terms of the loan agreement. The effects on the accompanying financial statements of the failure to not properly record the debt have not been determined.

Qualified Opinion
In our opinion, except for the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank Coalition of San Luis Obispo County as of December 31, 2018, 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.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued a report dated September 24, 2019, on our consideration of Food Bank Coalition of San Luis Obispo County’s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Food Bank Coalition of San Luis Obispo County’s internal control over financial reporting and compliance.

Glenn Burdette Attest Corporation
San Luis Obispo, California

September 24, 2019
### Assets

**Current assets:**
- Cash and cash equivalents: $400,512
- Restricted cash: 1,410
- Grants receivable: 37,164
- Accounts receivable: 12,381
- Current portion of contributions receivable: 71,668
- Inventories: 500,592
- Prepaid expenses: 15,357

Total current assets: $1,039,084

**Property and equipment, net of accumulated depreciation:**

3,624,754

**Other assets:**
- Deposits: 18,653
- Contributions receivable, net of current portion, allowance and discount: 52,711

Total other assets: 71,364

Total assets: $4,735,202

---

### Liabilities and Net Assets

**Current liabilities:**
- Accounts payable: $55,969
- Accrued compensation: 47,879
- Accrued vacation: 35,706
- Agency credits: 40,568
- Deferred revenue: 23,395
- Current portion of notes payable, net of unamortized debt issuance costs: 38,404

Total current liabilities: 241,921

**Long-term liabilities:**
- Notes payable, net of current portion and unamortized debt issuance costs: 2,303,511

Total liabilities: 2,545,432

**Net assets:**
- Without donor restrictions: 2,057,959
- With donor restrictions: 131,811

Total net assets: 2,189,770

Total liabilities and net assets: $4,735,202

*The accompanying notes are an integral part of these financial statements.*
Food Bank Coalition of San Luis Obispo County
Statement of Activities
Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and other support:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal cash contributions</td>
<td>$183,190</td>
<td>$183,190</td>
</tr>
<tr>
<td>Donated federal commodities</td>
<td>405,813</td>
<td>405,813</td>
</tr>
<tr>
<td>Donated food</td>
<td>4,004,151</td>
<td>4,004,151</td>
</tr>
<tr>
<td>In-kind services</td>
<td>11,850</td>
<td>11,850</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,818,122</td>
<td>1,928,012</td>
</tr>
<tr>
<td>Purchased food</td>
<td>124,559</td>
<td>124,559</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>1,270</td>
<td>1,270</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>3,432</td>
<td>3,432</td>
</tr>
<tr>
<td>Total revenues and other support</td>
<td>6,552,387</td>
<td>6,662,277</td>
</tr>
</tbody>
</table>

Net assets released from restrictions 334,549 (334,549) -

Expenses:

Program Services:
- Cost of sales (shared maintenance and private purchase goods) 510,110 510,110
- Donated food distributed 3,695,474 3,695,474
- Commodities distributed 358,153 358,153
- Other program services 1,510,605 1,510,605

Supporting Services:
- General and administration 283,060 283,060
- Fundraising 243,468 243,468

Total expenses 6,600,870 6,600,870

Change in net assets 286,066 (224,659) 61,407

Net assets - beginning of year 1,771,893 356,470 2,128,363

Net assets - end of year $2,057,959 $131,811 $2,189,770

The accompanying notes are an integral part of these financial statements.
# Food Bank Coalition of San Luis Obispo County

## Statement of Functional Expenses

### Year Ended December 31, 2018

<table>
<thead>
<tr>
<th>Account</th>
<th>Program Services</th>
<th>General and Administration</th>
<th>Fund-Raising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting services</td>
<td>$</td>
<td>$ 58,321</td>
<td>$</td>
<td>$ 58,321</td>
</tr>
<tr>
<td>Bank fees</td>
<td>5,008</td>
<td>4,424</td>
<td>9,432</td>
<td></td>
</tr>
<tr>
<td>Commodities distributed</td>
<td>358,153</td>
<td></td>
<td>358,153</td>
<td></td>
</tr>
<tr>
<td>Community relations</td>
<td></td>
<td>4,041</td>
<td>4,041</td>
<td></td>
</tr>
<tr>
<td>Computer expenses and software</td>
<td>48,387</td>
<td>1,153</td>
<td>602</td>
<td>50,142</td>
</tr>
<tr>
<td>Contract labor</td>
<td>3,231</td>
<td>15,325</td>
<td>18,556</td>
<td></td>
</tr>
<tr>
<td>Contract services</td>
<td>46,046</td>
<td></td>
<td>93,791</td>
<td></td>
</tr>
<tr>
<td>Cost of sales (purchased food)</td>
<td>510,110</td>
<td></td>
<td>510,110</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>168,741</td>
<td>2,330</td>
<td>1,216</td>
<td>172,287</td>
</tr>
<tr>
<td>Donated food distributed</td>
<td>3,695,474</td>
<td></td>
<td></td>
<td>3,695,474</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td></td>
<td>18,628</td>
<td></td>
<td>18,628</td>
</tr>
<tr>
<td>Equipment and machinery maintenance</td>
<td>33,180</td>
<td>791</td>
<td>413</td>
<td>34,384</td>
</tr>
<tr>
<td>Fundraising</td>
<td></td>
<td></td>
<td>68,670</td>
<td>68,670</td>
</tr>
<tr>
<td>Government fees and taxes</td>
<td>36,141</td>
<td>861</td>
<td>449</td>
<td>37,451</td>
</tr>
<tr>
<td>Interest and finance charges</td>
<td>106,680</td>
<td>2,543</td>
<td>1,326</td>
<td>110,549</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,277</td>
<td></td>
<td>3</td>
<td>1,280</td>
</tr>
<tr>
<td>Rent</td>
<td>16,391</td>
<td>391</td>
<td>204</td>
<td>16,986</td>
</tr>
<tr>
<td>Salaries and wages and related expenses</td>
<td>858,653</td>
<td>177,423</td>
<td>106,804</td>
<td>1,142,880</td>
</tr>
<tr>
<td>Supplies, printing and postage</td>
<td>21,679</td>
<td>3,235</td>
<td>4,426</td>
<td>29,340</td>
</tr>
<tr>
<td>Telephone</td>
<td>11,972</td>
<td>285</td>
<td>149</td>
<td>12,406</td>
</tr>
<tr>
<td>Travel and meeting expenses</td>
<td>10,954</td>
<td>507</td>
<td>2,323</td>
<td>13,784</td>
</tr>
<tr>
<td>Utilities</td>
<td>52,888</td>
<td>1,261</td>
<td>658</td>
<td>54,807</td>
</tr>
<tr>
<td>Vehicle expenses</td>
<td>62,550</td>
<td></td>
<td></td>
<td>62,550</td>
</tr>
<tr>
<td>Warehouse operations expenses</td>
<td>26,566</td>
<td></td>
<td></td>
<td>26,566</td>
</tr>
</tbody>
</table>

| Total                             | $ 6,074,342      | $ 283,060                  | $ 243,468    | $ 6,600,870|

*The accompanying notes are an integral part of these financial statements.*
Food Bank Coalition of San Luis Obispo County

Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:
Change in net assets $ 61,407
Adjustments to reconcile change in net assets to net cash provided by operating activities:
Depreciation expense 172,287
Amortization of debt issuance costs 2,719
Changes in operating assets and liabilities:
Grants receivable (11,520)
Accounts receivable 713
Contributions receivable 1,827
Inventories (183,657)
Prepaid expenses 14,184
Deposits (11,167)
Accounts payable 16,129
Accrued compensation 5,755
Accrued vacation 15,173
Agency credits (1,158)
Deferred revenue (16,337)
Net cash provided by operating activities 66,355

Cash flows from investing activities:
Purchases of property and equipment (98,510)
Net cash used in investing activities (98,510)

Cash flows from financing activities:
Repayment of notes payable (287,890)
Net cash used in financing activities (287,890)

Net decrease in cash (320,045)

Cash and cash equivalents - beginning of year 721,967
Cash and cash equivalents - end of year $ 401,922

Reconciliation of cash and cash equivalents to balance sheet:
Cash and cash equivalents $ 400,512
Restricted cash 1,410

Cash and cash equivalents - end of year $ 401,922

Supplemental schedule of investing and financing activities:
Cash paid for interest during the year $ 110,549

The accompanying notes are an integral part of these financial statements.
Note 1: Nature of Business

The Food Bank Coalition of San Luis Obispo County (the Organization) is a nonprofit organization incorporated for charitable purposes as permitted under section 501(c)(3) of the Internal Revenue Code. The Organization’s purpose is to acquire and provide surplus and salvageable food and commodities to qualified social service agencies and community groups serving the low income and unemployed in San Luis Obispo County. Major sources of revenue come from donated federal commodities, individual donations of cash and food, as well as grants from various governmental and non-profit organizations.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), which requires that revenues be recorded when earned and expenses be recorded when incurred.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may from time to time designated a portion of this asset class for specific projects or activities. There were no board restricted net assets at December 31, 2018.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
Note 2: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by IRS as an organization that is not a private foundation. The Organization is also exempt from state income taxes.

Income Taxes Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50%) approach. As of December 31, 2018, management has considered its tax positions and believes that the Organization did not maintain any tax positions that did not meet the "more likely than not" threshold. The Organization does not expect any material changes through December 31, 2019. However, tax returns remain subject to examination by the Internal Revenue Service for fiscal years ending on or after December 31, 2015, and by the California Franchise Tax Board for fiscal years ending on or after December 31, 2014. As noted above, the Organization does not currently pay income taxes. However, income from activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. No liability for income taxes has been recorded in the accompanying financial statements since management believed the Organization has no taxable unrelated business income.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flow, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2018, the Company had $51,388 of cash equivalents.

Restricted cash consists of cash held in an escrow account for the payment of the initial year of interest on a note payable related to the Organization’s building.

Allowance for Doubtful Accounts

It is the policy of management to review the outstanding grants, accounts and contributions receivable at year-end, as well as historical bad debt write-offs and aging analysis, and establish an allowance for doubtful accounts for estimated uncollectible amounts. At December 31, 2018, management believed that no allowance for doubtful accounts was necessary for grants receivable or accounts receivable and recorded an allowance for contributions receivable of $3,000.
Note 2: Summary of Significant Accounting Policies (Continued)

Inventories

Inventories consisted of purchased and donated food and government commodities. At December 31, 2018, donated food was recorded in inventory at $1.52 per pound and donated non-food items were recorded at $5.59 per pound, the values established by Feeding America, the nation's largest charitable hunger-relief organization, in which the Organization is an affiliate. Cost of donated food was recorded based on pounds distributed at the annually established price per pound.

Purchased food was recorded in inventory at cost on a first in, first out basis.

Government commodities were recorded at the average price of donated commodities for each item established by the USDA during the year ended December 31, 2018. The cost of government commodities were recorded based upon pounds distributed at the USDA established prices.

Property and Equipment

Property and equipment are shown at cost or fair value on the date of acquisition or contribution. The Organization’s policy is to capitalize fixed assets with a value of $5,000 or more. Depreciation is recorded over their estimated useful lives using the straight-line depreciation method over five to ten years, except for the building which is being depreciated over 31.5 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the statement of financial position and the resulting gain or loss is reflected in the statement of activities in the period realized. Maintenance and repairs are charged to operations as incurred.

Investments

In accordance with Not-for-Profit Entities Investments subtopic of FASB ASC, the Organization initially records marketable securities at acquisition cost if purchased and subsequently carries them at fair value. Donated investments are reported at fair value at the date of gift.

Realized gains and losses on dispositions are based on the net proceeds and the adjusted carrying value of the securities sold. Net unrealized gains and losses represent the net change in fair value of the securities and are recorded as an increase or decrease to net assets. Net investment income was $1,270 for the year ended December 31, 2018. There were no investments at December 31, 2018.
Note 2: Summary of Significant Accounting Policies (Continued)

Revenues and Cost Recognition

The Organization’s revenue is recognized on the accrual basis as earned and expenditures are recorded on the accrual basis whereby expenses are recorded when incurred, rather than when paid.

Deferred revenue is recorded when the Organization has received advanced payments for products or services that are to be delivered or performed in the future and for which the grant is conditional on them providing that product or service.

Donated Materials and Services

The Organization receives donated professional services which are recorded in the financial statements if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the financial statements as contributed services were offset by like amounts of accounting services and were $11,850 for the year ended December 31, 2018.

The Organization also receives donations of time and services from members of the community and volunteers. However, the value of these donations is not reflected in the accompanying financial statements since they do not meet the two recognition criteria described above.

Concentrations

Credit Risk:
The Organization maintains cash balances at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures interest bearing accounts at each institution up to $250,000. At December 31, 2018 cash included $77,106 which was not insured under the FDIC. In addition, the Organization maintains an investment account at an institution that participates in the Securities Investor Protection Corporation (SIPC). At December 31, 2018, all cash equivalents in the investment account were insured under the SIPC.

Major Contributors:
At December 31, 2018, three entities accounted for 100% of the Organization’s total grants receivable, three entities accounts for approximately 66% of total accounts receivable and two donors accounted for approximately 96% of the Organization’s total contributions receivable.
Food Bank Coalition of San Luis Obispo County  
Notes to Financial Statements  
December 31, 2018  
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Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Organization records its financial assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of FASB ASC (the Topic). This Topic provides a framework for measuring fair value, clarifies the definition of fair value and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Topic also establishes a three-tier hierarchy as follows, which prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

This hierarchy requires the Organization to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. The following is a description of the valuation methodologies used for assets measured at fair value:

All donated non-governmental food and USDA food commodities inventory are classified as Level 2 assets. The Organization did not have any assets or liabilities classified as Level 3.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
Note 2: Summary of Significant Accounting Policies (Continued)

Functional Expense Allocations

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon square footage of the facility and salary allocations depending on the specific expense.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. For the year ended December 31, 2018, the Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Note 3: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$400,512</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>$37,164</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$12,381</td>
</tr>
<tr>
<td>Current contributions receivable</td>
<td>$71,668</td>
</tr>
<tr>
<td>Less: net assets with purpose restrictions</td>
<td>$(85,144)</td>
</tr>
<tr>
<td></td>
<td>$436,581</td>
</tr>
</tbody>
</table>

The current grants receivable of $37,164 consist of contracts with the US Government under the Emergency Food Assistance program and two programs administered by the State of California. The current accounts receivable balance consists of receivables from agency partners. The current contributions receivable balance consists of donor pledge amounts and collections are based upon donor commitments. These amounts are expected to be collected in 2019.

The Organization has investment policies which allow a portion of its cash to be invested based on its anticipated need or use. In practice, all of the Organization’s cash has been placed in demand deposits or money market accounts at banks and other institutions.
Note 4: Contributions Receivable

Contributions receivable are unconditional promises to give to general operations and to Nourish Our Future. Nourish Our Future is a program started in 2015 to assist in raising funds for building construction and future debt payments on the San Luis Obispo building. Funds for Nourish Our Future are donor restricted net assets. Other contributions receivable amounts are for general operations and are not restricted.

At December 31, 2018, contributions receivable were as follows:

<table>
<thead>
<tr>
<th>For the Year Ending December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 71,668</td>
</tr>
<tr>
<td>2020</td>
<td>20,000</td>
</tr>
<tr>
<td>2021</td>
<td>20,000</td>
</tr>
<tr>
<td>2022</td>
<td>20,000</td>
</tr>
<tr>
<td>Total</td>
<td>131,668</td>
</tr>
<tr>
<td>Less: Allowance for uncollectibles</td>
<td>(3,000)</td>
</tr>
<tr>
<td>Unamortized discount</td>
<td>(4,289)</td>
</tr>
</tbody>
</table>

Contributions receivable, net of allowance $ 124,379

Note 5: Inventories

At December 31, 2018, inventories consisted of the following:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Donated food</td>
<td>$ 241,262</td>
</tr>
<tr>
<td>Purchased food</td>
<td>15,142</td>
</tr>
<tr>
<td>USDA commodities</td>
<td>244,188</td>
</tr>
</tbody>
</table>

Inventories $ 500,592
Note 6: Property and Equipment

At December 31, 2018, property and equipment consisted of the following:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$763,187</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>$2,950,046</td>
</tr>
<tr>
<td>Equipment</td>
<td>$60,418</td>
</tr>
<tr>
<td>Vehicles</td>
<td>$549,908</td>
</tr>
<tr>
<td>Computer hardware and software</td>
<td>$48,083</td>
</tr>
<tr>
<td></td>
<td>$4,371,642</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>($746,888)</td>
</tr>
<tr>
<td><strong>Property and equipment, net of accumulated depreciation</strong></td>
<td><strong>$3,624,754</strong></td>
</tr>
</tbody>
</table>

Note 7: Notes Payable

At December 31, 2018, notes payable consisted of the following:

<table>
<thead>
<tr>
<th>Notes Payable</th>
<th>Unamortized Debt Issuance Costs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable to Hitachi Capital America Corporation dated January 15, 2014 with interest rate of 5.40% per annum, payable monthly at $1,064 over 60 months. The note is secured by a vehicle. Balance due February 15, 2019.</td>
<td>$638</td>
<td>$</td>
</tr>
<tr>
<td>Note payable to Pacific Premier Bank dated March 18, 2016, due on demand. If no demand, interest rate of 4.25% per annum through September 17, 2022, adjusting to variable rate, and monthly principal and interest payments of $11,689 due beginning October 18, 2018. The note is secured by property and due on September 18, 2027.</td>
<td>2,365,065</td>
<td>(23,788)</td>
</tr>
<tr>
<td></td>
<td>2,365,703</td>
<td>(23,788)</td>
</tr>
<tr>
<td></td>
<td>(41,123)</td>
<td>2,719</td>
</tr>
<tr>
<td>Less current portion</td>
<td>$2,324,580</td>
<td>$ (21,069)</td>
</tr>
</tbody>
</table>
Note 7: Notes Payable (Continued)

At December 31, 2018, the future minimum principal payments on notes payable were as follows:

<table>
<thead>
<tr>
<th>For the Year Ending December 31</th>
<th>Principal</th>
<th>Amortization of Debt Issuance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$41,123</td>
<td>$(2,719)</td>
<td>$38,404</td>
</tr>
<tr>
<td>2020</td>
<td>42,239</td>
<td>(2,719)</td>
<td>39,520</td>
</tr>
<tr>
<td>2021</td>
<td>44,070</td>
<td>(2,719)</td>
<td>41,351</td>
</tr>
<tr>
<td>2022</td>
<td>45,980</td>
<td>(2,719)</td>
<td>43,261</td>
</tr>
<tr>
<td>2023</td>
<td>47,972</td>
<td>(2,719)</td>
<td>45,253</td>
</tr>
<tr>
<td>Thereafter</td>
<td>2,144,319</td>
<td>(10,193)</td>
<td>2,134,126</td>
</tr>
<tr>
<td>Total</td>
<td>$2,365,703</td>
<td>$(23,788)</td>
<td>$2,341,915</td>
</tr>
</tbody>
</table>

As mentioned in the independent auditors’ report, the note payable due to Pacific Premier Bank is due on demand, but has payment terms detailed in the agreement if the note payable is not called. The Organization has chosen to present the information above as though the due on demand clause did not exist in the note payable, which is a departure from GAAP and the basis for the qualified opinion. As the note payable is due on demand, the entire net balance of $2,341,277 would be considered a current liability.

Note 8: Endowment to Support Food Acquisition and Distribution

The County of San Luis Obispo established an endowment with the San Luis Obispo County Community Foundation (the Foundation) of $500,000 during 2004. The primary purpose of the endowment is to make annual grants to the Organization in order to support programs that provide food or other services that reduce hunger for those in need in San Luis Obispo County. The Foundation's Board retains control over the endowment principal and distributions and this endowment is not recorded in the Organization's financial statements. Currently, the Organization receives annual distributions of $20,000 or 5% of the fair market value of the endowment, whichever is greater, until the funds are fully distributed. In 2018, there was $28,082 distributed from the endowment to the Organization. The endowment fair market value was approximately $497,587 at December 31, 2018.

Note 9: Commitments

The Organization has a contractual Partner Distribution Organization agreement with Feeding America. The agreement improved the capacity of the Organization to provide solutions to the problem of hunger in America. Under the terms of the agreement, the Organization is required to maintain certain financial covenants, which they complied with for the year ended December 31, 2018. The Organization can terminate the agreement by a written notice 30 days in advance subject to the termination provisions as defined by the agreement. Feeding America can terminate the agreement with cause as provided by the compliance standards per the agreement.
Note 10: Designations and Restrictions on Net Assets

At December 31, 2018, the Organization had the following net assets with donor restrictions:

Purpose restrictions:
- Nourish Our Future $46,667
- Equipment purchases $45,000
- No Cook bags $15,800
- Farmers’ Market programs $9,458
- Summer lunch program $9,227
- Nutrition education $5,000
- Other $659

$131,811

At December 31, 2018, the Organization had no board designations on their net assets without donor restrictions.

Note 11: Subsequent Events

Events subsequent to December 31, 2018 have been evaluated through September 24, 2019, which is the date the financial statements were available to be issued. Management did not identify any subsequent events requiring disclosure.
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors of
Food Bank Coalition of San Luis Obispo County

We have audited, in accordance with the 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, the financial statements of Food Bank Coalition of San Luis Obispo County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Food Bank Coalition of San Luis Obispo County’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Bank Coalition of San Luis Obispo County’s internal control. Accordingly, we do not express an opinion on the effectiveness of Food Bank of San Luis Obispo County’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 18-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Food Bank Coalition of San Luis Obispo County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Food Bank Coalition of San Luis Obispo County’s Response to Findings

Food Bank Coalition of San Luis Obispo County’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Food Bank Coalition of San Luis Obispo County’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Glenn Burdette Attest Corporation
San Luis Obispo, California

September 24, 2019
Finding 18-001: Lack of Expertise in Financial Accounting and Reporting (Material Weakness)

Condition:
Food Bank Coalition of San Luis Obispo County (the Organization) had previously used a contract accountant to prepare the majority of their year end adjustments as well as prepare schedules to record their ending inventory and adjust net assets with donor restrictions. In the current year, due to timing of the audit and availability of the contract accountant many of the adjustments and calculations had not been done prior to the start of the audit. This resulted in a variety of adjusting journal entries required to prepare GAAP financial statements. These included adjustments for vacation accrual, grants receivable, accounts receivable, contributions receivable, inventory, vacation accrual, deferred revenue, depreciation and net asset restrictions.

In addition, we did prepare the Organizations financial statements primarily due to time constraints. The Organization did identify an individual with suitable skill, knowledge, and experience to assume all management responsibilities for the financial statements.

Criteria:
A system of internal control over financial reporting includes controls over accounting and preparation of financial statements, including footnote disclosures.

Cause and Effect:
The Organization does not have a person with the time to prepare full accrual financial statements that include all the disclosures required by accounting principles generally accepted in the United States of America (GAAP), but does have a full time accountant and operations manager who oversaw the audit and we anticipate will be able to record many of the journal entries required for GAAP financial statements in the future. Management has advised us that they do not believe that the cost of employing someone with the full level of expertise warrants the associated costs and the Organization chooses to have the financial statements with all required disclosures prepared in conjunction with the audit. However, management, along with their board of directors, has designated an individual with suitable skills, knowledge and/or experience to oversee the preparation of the financial statements and the adjusting journal entries.

Recommendation:
We understand that this is a conscious decision by the Organization using a cost/benefit analysis and that the Organization has determined that it is more effective to have some key accounting calculations and financial reporting performed during the audit. We recommend that the Organization evaluate the process periodically and work toward including some of the required adjustments as part of the process to close their accounting records at the end of the year in addition to evaluating if they still need the assistance of their contract accountant to assist in the year-end financial close.
Views of Responsible Officials and Planned Corrective Actions:
It is understood that to maintain best practices for any future financial statement audits, The Food Bank will need to perform additional year-end adjustments and schedule preparations in-house, as noted by Glenn Burdette staff. Prior to fiscal year 2018, The Food Bank enlisted a contract accountant to perform a greater share of this preparatory work. In forgoing this additional preparatory assistance for the 2018 audit, Food Bank staff became aware of working documents used by the contract accountant that are vital for providing Glenn Burdette’s staff a trial balance with all adjusted journal entries and support schedules completed prior to their audit work. To prevent this concern in future audit cycles, Food Bank staff are now in possession of said working documents, their function and logic, and also understand that we need not wait for a CPA to make adjusted journal entries, but rather that they may be made by our bookkeeper, ahead of passing along trial balance to Glenn Burdette staff.
Food Bank Coalition of San Luis Obispo County  
Status of Prior Year Findings and Recommendations – December 31, 2017  
Year Ended December 31, 2018

Program: US Department of Agriculture: Emergency Food Assistance Program Cluster  
CFDA #: 10.568, 10.569

Finding 2017-001 – Claims for Reimbursement (Significant Deficiency)

Condition:  
During our audit of the Emergency Food Assistance Program (TEFAP) Cluster it was noted that not all TEFAP related expenses were included in submitted claims for reimbursement.

Recommendation:  
We recommend that management establish policies and procedures to ensure that all federal expenditures are properly accounted for and reported on submitted claims for reimbursement as this may affect future reimbursement allocations.

Current Status:  
Following this finding for fiscal year 2017, The Food Bank put into practice the following steps to ensure accurate and comprehensive reimbursement claims for the USDA EFAP Program:

1. We perform a quarterly time study / audit of the EFAP Program, in order to accurately capture current splits of staff time worked towards the EFAP program within a reimbursement period;
2. All categories of non-personnel related, eligible EFAP Program expenses are included in this quarterly time study / audit, as well.
3. Each quarter a full accounting of all eligible EFAP-related expenditures is submitted to The California Department of Social Services, even though The Food Bank knows we will not be reimbursed beyond annually-allocated levels.

Finding 2017-002 – Tracking and Allocation of Employee Costs (Significant Deficiency)

Condition:  
During our audit of the Emergency Food Assistance Program (TEFAP) Cluster is was noted that employee salaries were not being correctly allocated to the program per grant requirements.

Recommendation:  
We recommend that the Organization follow the EFAP program guidelines to ensure that adequate time/expenditures are being allocated to the program.
Current Status:
Following this finding for fiscal year 2017, The Food Bank put into practice the following steps to ensure accurate and comprehensive reimbursement claims for the USDA EFAP Program:

1. We perform a quarterly time study / audit of the EFAP Program, in order to accurately capture current splits of staff time worked towards the EFAP program within a reimbursement period;
2. All categories of non-personnel related, eligible EFAP Program expenses are included in this quarterly time study / audit, as well.
3. Each quarter a full accounting of all eligible EFAP-related expenditures is submitted to The California Department of Social Services, even though The Food Bank knows we will not be reimbursed beyond annually-allocated levels.