

Food Bank Coalition of San Luis Obispo County

Financial Statements

Year Ended December 31, 2019

Food Bank Coalition of San Luis Obispo County
Financial Statements
Year Ended December 31, 2019

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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, 2019, 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.

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**Board of Directors of
Food Bank Coalition of San Luis Obispo County
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Opinion

In our opinion, 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, 2019, 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 October 8, 2020, 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.

A handwritten signature in black ink that reads "GLENN BURDETTE ATTEST CORPORATION". The letters are in all caps and have a cursive, slightly slanted appearance.

Glenn Burdette Attest Corporation
San Luis Obispo, California

October 8, 2020

Food Bank Coalition of San Luis Obispo County
Statement of Financial Position
December 31, 2019

Assets

Current assets:

Cash and cash equivalents	\$ 552,068
Restricted cash	1,410
Grants receivable	89,048
Accounts receivable	19,502
Current portion of contributions receivable, net of allowance	37,908
Inventories	582,223
Total current assets	1,282,159

Property and equipment, net of accumulated depreciation

3,534,579

Other assets:

Contributions receivable, net of current portion, allowance and discount	85,444
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Total assets	\$ 4,902,182
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 53,328
Accrued compensation	36,537
Accrued vacation	35,666
Agency credits	34,203
Refundable advances	30,466
Current portion of notes payable, net of unamortized debt issuance costs	39,520
Total current liabilities	229,720

Long-term liabilities:

Notes payable, net of current portion and unamortized debt issuance costs	2,263,984
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Total liabilities	2,493,704
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Net assets:

Without donor restrictions	2,216,623
With donor restrictions	191,855
Total net assets	2,408,478

Total liabilities and net assets	\$ 4,902,182
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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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Federal cash contributions	\$ 241,407	\$	\$ 241,407
Donated federal commodities	488,536		488,536
Donated food	3,931,113		3,931,113
In-kind services	6,500		6,500
Contributions and grants	2,139,227	138,580	2,277,807
Purchased food	113,433		113,433
Interest income	815		815
Miscellaneous income	5,885		5,885
Total revenues and other support	<u>6,926,916</u>	<u>138,580</u>	<u>7,065,496</u>
Net assets released from restrictions	<u>78,536</u>	<u>(78,536)</u>	<u>-</u>
Expenses:			
Program Services:			
Cost of food purchased	383,791		383,791
Donated food distributed	3,704,786		3,704,786
Commodities distributed	542,575		542,575
Other program service costs	1,659,595		1,659,595
Supporting Services:			
General and administration	225,390		225,390
Fundraising	353,911		353,911
Total expenses	<u>6,870,048</u>		<u>6,870,048</u>
Change in net assets	<u>135,404</u>	<u>60,044</u>	<u>195,448</u>
Net assets - beginning of year	2,057,959	131,811	2,189,770
Prior year restatement	<u>23,260</u>		<u>23,260</u>
Net assets - beginning of year, restated	<u>2,081,219</u>	<u>131,811</u>	<u>2,213,030</u>
Net assets - end of year	<u>\$ 2,216,623</u>	<u>\$ 191,855</u>	<u>\$ 2,408,478</u>

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, 2019

	Program Services	Supporting Services		Total
		General and Administration	Fund- Raising	
Accounting services	\$	\$ 32,170	\$	\$ 32,170
Advertising and promotion	10,800	35	33,662	44,497
Bank fees			15,464	15,464
Commodities distributed	542,575			542,575
Computer expenses and software	84,686	9,504	1,053	95,243
Contract labor		2,489		2,489
Contract services	43,293		92,721	136,014
Cost of food purchased	383,791			383,791
Depreciation	140,616	2,331	1,216	144,163
Donated food distributed	3,704,786			3,704,786
Dues and subscriptions	15,436	445	1,712	17,593
Fundraising			99,036	99,036
Government fees and taxes	1,698			1,698
Insurance	42,612	820	428	43,860
Interest and finance charges	99,429	2,295	1,197	102,921
Legal		233		233
Miscellaneous	892			892
Partner agency development	37,740			37,740
Rent and occupancy	28,306	548	286	29,140
Salaries and wages and related expenses	925,723	171,871	102,239	1,199,833
Supplies, printing and postage	10,860	869	119	11,848
Telephone	9,880	235	123	10,238
Travel and meeting expenses	15,742	289	3,999	20,030
Utilities	52,715	1,256	656	54,627
Vehicle expenses	104,604			104,604
Warehouse operations expenses	34,563			34,563
	<u>\$ 6,290,747</u>	<u>\$ 225,390</u>	<u>\$ 353,911</u>	<u>\$ 6,870,048</u>

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, 2019

Cash flows from operating activities:	
Change in net assets	\$ 195,448
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	144,163
Amortization of debt issuance costs	2,719
Changes in operating assets and liabilities:	
Grants receivable	(28,624)
Accounts receivable	(7,121)
Contributions receivable	1,027
Inventories	(81,631)
Prepaid expenses	15,357
Deposits	18,653
Accounts payable	(2,641)
Accrued compensation	(11,342)
Accrued vacation	(40)
Agency credits	(6,365)
Deferred revenue	7,071
Net cash provided by operating activities	<u>246,674</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(53,988)</u>
Net cash used in investing activities	<u>(53,988)</u>
Cash flows from financing activities:	
Repayment of notes payable	<u>(41,130)</u>
Net cash used in financing activities	<u>(41,130)</u>
Net increase in cash	151,556
Cash and cash equivalents - beginning of year	<u>401,922</u>
Cash and cash equivalents - end of year	<u><u>\$ 553,478</u></u>
Reconciliation of cash and cash equivalents to balance sheet:	
Cash and cash equivalents	\$ 552,068
Restricted cash	<u>1,410</u>
Cash and cash equivalents - end of year	<u><u>\$ 553,478</u></u>
Supplemental schedule of investing and financing activities:	
Cash paid for interest during the year	\$ 102,921

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

Food Bank Coalition of San Luis Obispo County
Notes to Financial Statements
December 31, 2019

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.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional contribution receivable; or a notification of a beneficial interest is received. Conditional contributions receivable, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Additionally, revenue is derived from agencies who are asked to pay a small amount of shared maintenance costs on some food to help offset the cost of purchased food and the handling and distribution costs. This revenue is point of sale and recognized when the agency purchases the food or other commodities.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2019

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Note 2: Summary of Significant Accounting Policies (Continued)

Change in Accounting Principle

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* and ASU No. 2014-09 *Revenue Recognition from Contracts with Customers* and subsequent amendments, as management believes the standards improve the usefulness and understandability of the Organization's financial reporting. There have been no changes to these financial statements as a result of the adoption of these ASU's.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statement of cash flow, the Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. As of December 31, 2019, the Company had \$148,532 in cash equivalents.

Restricted cash consists of cash held in an escrow account related to repayment of a note payable on the Organization's building.

Grants Receivable, Accounts Receivable and Allowance for Doubtful Accounts

It is the policy of management to review the outstanding grants and accounts 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, 2019, management believed that no allowance for doubtful accounts was necessary for grants receivable or accounts receivable.

Contributions Receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The allowance for uncollectable contributions receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. At December 31, 2019, the allowance was \$5,552.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2019

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Note 2: Summary of Significant Accounting Policies (Continued)

Inventories

Inventories consisted of purchased and donated food and government commodities. At December 31, 2019, donated food was recorded in inventory at \$1.49 per pound and donated non-food items were recorded at \$11.71 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, 2019. The cost of government commodities was 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.

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, 2019.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2019

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Note 2: Summary of Significant Accounting Policies (Continued)

- *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.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Organization is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. Management has determined that they are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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, included in the statement of functional expenses and were \$6,500 for the year ended December 31, 2019.

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.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2019

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Note 2: Summary of Significant Accounting Policies (Continued)

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, 2019 cash included \$210,761 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, 2019, all cash equivalents in the investment account were insured under the SIPC.

Major Contributors:

At December 31, 2019, two entities accounted for 100% of the Organization's total grants receivable, three entities accounted for 56% of accounts receivable, and three donors accounted for approximately 83% of the Organization's total contributions receivable.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates and those difference could be material.

Functional Expense Allocations

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, insurance and interest, which are allocated on a square footage basis as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2019

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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:

Cash and cash equivalents	\$	552,068
Grants receivable		89,048
Accounts receivable		19,502
Current contributions receivable		37,908
Less: net assets with purpose restrictions		<u>(178,004)</u>
	\$	<u>520,522</u>

The current grants receivable of \$89,048 consist of contracts with the US Government under the Emergency Food Assistance program and one program 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 represent unconditional contributions receivable towards general operations and towards the pay down of principle on the client's note payable to Pacific Premier Bank (see Note 7).

At December 31, 2019, contributions receivable were expected to be received as follows:

<u>For the Year Ending December 31,</u>		
2020	\$	39,080
2021		34,500
2022		34,620
2023		13,273
2024		8,500
Thereafter		<u>2,000</u>
Total		131,973
Less: Allowance for uncollectibles		(5,552)
Unamortized discount		<u>(3,069)</u>
Contributions receivable, net of allowance	\$	<u>123,352</u>

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2019

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Note 5: Inventories

At December 31, 2019, inventories consisted of the following:

Donated food	\$	363,178
Purchased food		28,896
USDA commodities		<u>190,149</u>
Inventories	\$	<u><u>582,223</u></u>

Note 6: Property and Equipment

At December 31, 2019, property and equipment consisted of the following:

Land	\$	763,187
Building and improvements		2,950,046
Equipment		101,476
Vehicles		549,908
Computer hardware and software		<u>61,013</u>
		4,425,630
Less accumulated depreciation		<u>(891,051)</u>
Property and equipment, net of accumulated depreciation	\$	<u><u>3,534,579</u></u>

Note 7: Notes Payable

At December 31, 2019, notes payable consisted of the following:

	<u>Notes Payable</u>	<u>Unamortized Debt Issuance Costs</u>	<u>Total</u>
Note payable to Pacific Premier Bank dated March 18, 2016, interest rate of 4.25% per annum through September 17, 2022, adjusting to variable rate. 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.	\$ 2,324,573	\$ (21,069)	\$ 2,303,504
Less current portion	<u>(42,239)</u>	<u>2,719</u>	<u>(39,520)</u>
Notes payable, net of current portion	<u><u>\$ 2,282,334</u></u>	<u><u>\$ (18,350)</u></u>	<u><u>\$ 2,263,984</u></u>

The note payable due to Pacific Premier Bank was initially due on demand, but the Organization has received a waiver from the bank eliminating that requirement. All other terms of the note remain in place.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2019

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Note 7: Notes Payable (Continued)

At December 31, 2019, the future minimum principal payments on notes payable were as follows:

<u>For the Year Ending December 31,</u>	<u>Principal</u>	<u>Amortization of Debt Issuance Costs</u>	<u>Total</u>
2020	\$ 42,239	\$ (2,719)	\$ 39,520
2021	44,070	(2,719)	41,351
2022	45,980	(2,719)	43,261
2023	47,972	(2,719)	45,253
2024	50,052	(2,719)	47,333
Thereafter	2,094,260	(7,474)	2,086,786
Total	<u>\$ 2,324,573</u>	<u>\$ (21,069)</u>	<u>\$ 2,303,504</u>

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 2019, there was \$24,879 distributed from the endowment to the Organization. The endowment fair market value was approximately \$562,450 at December 31, 2019.

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, 2019. 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.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2019

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Note 10: Designations and Restrictions on Net Assets

At December 31, 2019, the Organization had the following net assets with donor restrictions:

Purpose restrictions:	
Nourish Our Future - debt reduction	\$ 132,747
Farmers' Market programs	32,415
Nutrition education coordinator	16,423
Equipment purchases for agency partners	7,260
Other	<u>3,010</u>
	<u>\$ 191,855</u>

At December 31, 2019, the Organization had no board designations on their net assets without donor restrictions.

Note 11: Subsequent Events

Events subsequent to December 31, 2019 have been evaluated through October 8, 2020, which is the date the financial statements were available to be issued. Management identified the following subsequent events requiring disclosure.

Due to the uncertainty surrounding the recent COVID-19 pandemic, the length and severity of the outbreak, and the volatility in the world investment markets, there is increasing uncertainty as to how these events will affect results of operations and financial position of Food Bank Coalition of San Luis Obispo going forward.

In addition, the Organization received funding for a Paycheck Protection Program loan of \$166,000 guaranteed by the Small Business Administration under the Coronavirus Aid, Relief and Economic Security Act. The loan is potentially forgivable if certain criteria are met.



**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, 2019, 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 October 8, 2020.

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 our 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.

Board of Directors
Food Bank Coalition of San Luis Obispo County
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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 certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2019-001 and 2019-002 that we consider to be a material weakness and a control finding.

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

October 8, 2020

Food Bank Coalition of San Luis Obispo County
Schedule of Findings and Recommendations
Year Ended December 31, 2019

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

Condition:

The Organization has been working towards being able to record all adjustments required to properly prepare their financial statements, but we found that 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 revenue and accounts receivable, contributions receivable, inventory and restricted net assets as well as a variety of other small entries.

In addition, we did prepare the Organization's 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. 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, specifically in light of recent personnel changes.

Views of Responsible Officials and Planned Corrective Actions:

We acknowledge that more expertise should be employed in the preparation of full accrual financial statements and intend, going forward, to engage such expertise on at least a year end basis. We intend to provide a trial balance with all adjusting journal entries and support schedules prior to future audits.

Food Bank Coalition of San Luis Obispo County
Schedule of Findings and Recommendations
Year Ended December 31, 2019
Page 2

Finding 2019-002: Control Procedures for Cash Disbursements

Condition:

During our documentation and review of internal control procedures we noted that checks over \$5,000 were required to have two signatures. We noted two instances where checks that were over \$5,000 did not have the required two signatures and after discussion with management determined that this was a common practice.

Criteria:

When an organization sets policies and procedures, it is important to follow those policies and procedures in order to have a system of internal controls that will protect the organization.

Cause and Effect:

By not following the current internal control policies and procedures the Organization may find that they are subject to fraud.

Recommendation:

We recommend that the Organization continue to strive to follow their existing policies and procedures and that they review them periodically with their board to determine if changes need to be made to better suit the Organization and protect their assets.

Views of Responsible Officials and Planned Corrective Actions:

Our policies and procedures require that there are two authorized signatures on checks over \$5,000. We acknowledge that in several instances checks exceeding \$5,000 contained only one signature. This was a choice made by a former CEO. The new CEO is fully aware of and committed to following this procedure, although board approval will be sought to increase that limit.

Food Bank Coalition of San Luis Obispo County
Status of Prior Year Findings and Recommendations – December 31, 2018
Year Ended December 31, 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.

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.

Current Status:

We improved our preparations for the 2019 audit by obtaining working documents from the prior contract accounting firm in order to prepare inventory schedules and also obtained assistance with depreciation schedules and documentation. Referencing the 2019-001 finding, we intend to engage professional assistance for the 2020 audit in order to provide the trial balance with adjusting journal entries and support schedules.