

Food Bank Coalition of San Luis Obispo County

Financial Statements

Year Ended December 31, 2020

Food Bank Coalition of San Luis Obispo County
Financial Statements
Year Ended December 31, 2020

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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, 2020, 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, 2020, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2021, 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

November 8, 2021

Food Bank Coalition of San Luis Obispo County
Statement of Financial Position
December 31, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 4,781,250
Restricted cash	1,410
Grants receivable	15,609
Accounts receivable	3,837
Current portion of contributions receivable, net of allowance	28,809
Inventories	663,083
Prepaid expenses	243,049
Total current assets	5,737,047

Property and equipment, net of accumulated depreciation

3,439,923

Other assets:

Contributions receivable, net of current portion, allowance and discount	40,257
Investments	41,721
Total other assets	81,978

\$ 9,258,948

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 23,610
Accrued compensation	61,340
Accrued vacation	43,002
Agency credits	43,809
Refundable advances	31,463
Current portion of notes payable, net of unamortized debt issuance costs	41,351
Total current liabilities	244,575

Long-term liabilities:

Paycheck Protection Program note payable	166,000
Notes payable, net of current portion and unamortized debt issuance costs	2,198,360
Total long-term liabilities	2,364,360

2,608,935

Net assets:

Without donor restrictions	6,487,806
With donor restrictions	162,207
Total net assets	6,650,013

\$ 9,258,948

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Federal cash contributions	\$ 1,065,641	\$	\$ 1,065,641
Donated federal commodities	750,137		750,137
Donated food	6,403,124		6,403,124
In-kind services	9,100		9,100
Contributions and grants	5,766,991	263,250	6,030,241
Purchased food	70,418		70,418
Interest income	889		889
Miscellaneous income	1,512		1,512
Total revenues and other support	14,067,812	263,250	14,331,062
Net assets released from restrictions	292,898	(292,898)	-
Expenses:			
Program Services:			
Cost of food purchased	578,116		578,116
Donated food distributed	6,534,766		6,534,766
Commodities distributed	658,402		658,402
Other program service costs	1,482,113		1,482,113
Supporting Services:			
General and administration	483,382		483,382
Fundraising	352,748		352,748
Total expenses	10,089,527		10,089,527
Change in net assets	4,271,183	(29,648)	4,241,535
Net assets - beginning of year	2,216,623	191,855	2,408,478
Net assets - end of year	\$ 6,487,806	\$ 162,207	\$ 6,650,013

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, 2020

	Program Services	Supporting Services		Total
		General and Administration	Fund- Raising	
Accounting services	\$	\$ 33,885	\$	\$ 33,885
Advertising and promotion	324		112,287	112,611
Bank fees	537		70,506	71,043
Commodities distributed	658,402			658,402
Community relations	103	213	3,610	3,926
Computer expenses and software	60,734	20,857	31,585	113,176
Contract labor	41,037			41,037
Contract services		43,589	17,828	61,417
Cost of food purchased	578,116			578,116
Depreciation	130,618			130,618
Donated food distributed	6,534,766			6,534,766
Dues and subscriptions	16,959	37	924	17,920
Donor tracking costs			17,600	17,600
Equipment and machinery maintenance	50,587			50,587
Government fees and taxes	1,195	79		1,274
Insurance	24,450	6,158	755	31,363
Interest and finance charges	77,469	15,680	8,325	101,474
Legal		833		833
Miscellaneous	349			349
Office expense	3,396	9,227	1,392	14,015
Partner agency development	7,826			7,826
Rent and occupancy	12,980	196	170	13,346
Salaries and wages and related expenses	836,053	343,954	55,742	1,235,749
Supplies, printing and postage	6,963	7,427	30,444	44,834
Telephone	9,211	249	643	10,103
Travel and meeting expenses	2,163	373	80	2,616
Utilities	50,918	625	857	52,400
Vehicle expenses	9,638			9,638
Warehouse operations expenses	138,603			138,603
	<u>\$ 9,253,397</u>	<u>\$ 483,382</u>	<u>\$ 352,748</u>	<u>\$ 10,089,527</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, 2020

Cash flows from operating activities:	
Change in net assets	\$ 4,241,535
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	130,618
Contribution of investments	(41,721)
Amortization of debt issuance costs	2,719
Changes in operating assets and liabilities:	
Grants receivable	73,439
Accounts receivable	15,665
Contributions receivable	54,286
Inventories	(80,860)
Prepaid expenses	(243,049)
Accounts payable	(29,718)
Accrued compensation	24,803
Accrued vacation	7,336
Agency credits	9,606
Deferred revenue	997
Net cash provided by operating activities	<u>4,165,656</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(35,962)</u>
Net cash used in investing activities	<u>(35,962)</u>
Cash flows from financing activities:	
Proceeds from Paycheck Protection Program note payable	166,000
Repayment of notes payable	<u>(66,512)</u>
Net cash provided by financing activities	<u>99,488</u>
Net increase in cash	4,229,182
Cash and cash equivalents - beginning of year	<u>553,478</u>
Cash and cash equivalents - end of year	<u>\$ 4,782,660</u>
Reconciliation of cash and cash equivalents to balance sheet:	
Cash and cash equivalents	\$ 4,781,250
Restricted cash	<u>1,410</u>
Cash and cash equivalents - end of year	<u>\$ 4,782,660</u>
Supplemental schedule of investing and financing activities:	
Cash paid for interest during the year	\$ 101,474

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, 2020

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.

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, 2020, the Organization had \$157,882 in cash equivalents.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2020

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Note 2: Summary of Significant Accounting Policies (Continued)

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, 2020, 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, 2020, the allowance was \$4,832.

Inventories

Inventories consisted of purchased and donated food and government commodities. At December 31, 2020, donated food was recorded in inventory at \$1.70 per pound and donated non-food items were recorded at \$5.09 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, 2020. The cost of government commodities was recorded based upon pounds distributed at the USDA established prices.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2020

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Note 2: Summary of Significant Accounting Policies (Continued)

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

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 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 designate a portion of this asset class for specific projects or activities. There were no board restricted net assets at December 31, 2020.
- *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.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2020

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Note 2: Summary of Significant Accounting Policies (Continued)

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 \$9,100 for the year ended December 31, 2020.

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, 2020 cash included \$3,903,680 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, 2020, all cash equivalents in the investment account were insured under the SIPC.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2020

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Note 2: Summary of Significant Accounting Policies (Continued)

Major Contributors:

At December 31, 2020, one entity accounted for 100% of accounts receivable, and three donors accounted for approximately 92% of the Organization's total contributions receivable.

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. 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. This Topic also establishes a three-tier hierarchy, 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.

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments: Investments are recorded at fair value based upon quoted market prices using Level 1 inputs.

This hierarchy requires the Organization to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2020

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Note 2: Summary of Significant Accounting Policies (Continued)

The following sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	<u>\$ 41,721</u>	<u>\$</u>	<u>\$</u>	<u>\$ 41,721</u>
Total investments at fair value	<u>\$ 41,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,721</u>

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.

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	\$ 4,781,250
Grants receivable	15,609
Accounts receivable	3,837
Current contributions receivable	28,809
Less: net assets with purpose restrictions	<u>(105,672)</u>
	<u>\$ 4,723,833</u>

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2020

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Note 3: Liquidity and Availability (Continued)

The current grants receivable of \$15,609 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 2021.

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 principal on the client's note payable to Pacific Premier Bank (see Note 7).

At December 31, 2020, contributions receivable were expected to be received as follows:

<u>For the Year Ending December 31,</u>	
2021	\$ 29,700
2022	29,700
2023	8,620
2024	8,500
2025	500
Thereafter	<u>1,501</u>
Total	78,521
Less: Allowance for uncollectibles	(4,832)
Unamortized discount	<u>(4,623)</u>
Contributions receivable, net of allowance	<u>\$ 69,066</u>

Note 5: Inventories

At December 31, 2020, inventories consisted of the following:

Donated food	\$ 114,273
Purchased food	273,921
USDA commodities	<u>274,889</u>
Inventories	<u>\$ 663,083</u>

Food Bank Coalition of San Luis Obispo County
Notes to Financial Statements
December 31, 2020
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Note 6: Property and Equipment

At December 31, 2020, property and equipment consisted of the following:

Land	\$ 763,187
Building and improvements	2,950,044
Equipment	137,438
Vehicles	549,908
Computer hardware and software	61,013
	<u>4,461,590</u>
Less accumulated depreciation	<u>(1,021,667)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 3,439,923</u></u>

Note 7: Notes Payable

At December 31, 2020, 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.	\$ 2,258,061	\$ (18,350)	\$ 2,239,711
Less current portion	<u>(44,070)</u>	<u>2,719</u>	<u>(41,351)</u>
Notes payable, net of current portion	<u><u>\$ 2,213,991</u></u>	<u><u>\$ (15,631)</u></u>	<u><u>\$ 2,198,360</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, 2020

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Note 7: Notes Payable (Continued)

At December 31, 2020, 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</u>	
		<u>Costs</u>	<u>Total</u>
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
2025	52,221	(2,719)	49,502
Thereafter	<u>2,017,766</u>	<u>(4,755)</u>	<u>2,013,011</u>
Total	<u>\$ 2,258,061</u>	<u>\$ (18,350)</u>	<u>\$ 2,239,711</u>

Paycheck Protection Program Note Payable

The Organization has a Paycheck Protection Program (PPP) note payable to SESLOC Federal Credit Union, issued in the amount of \$166,000 on May 5, 2020. The note bears interest at a fixed rate of 1.0% per annum with interest deferred for the first six months, matures on May 5, 2022 and is unsecured. This note, guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) has had repayment terms extended, including the deferral of interest, under the PPP Flexibility Act of 2020. The principal amount of the PPP Loan and any related accrued interest is subject to forgiveness approval by the SBA. Management expects full forgiveness based upon costs incurred, therefore this note is not included in the preceding repayments table. Due to the anticipated forgiveness of the note, no related interest has been accrued as of the balance sheet date.

Note 8: Operating Leases

At December 31, 2020, the Organization leased one truck for food delivery under a seven year lease maturing in March 2027. The minimum monthly payment for this lease is \$1,875, but the Organization also pays additional charges based on mileage. At December 31, 2020, future minimum payments under this lease were as follows:

<u>For the Year Ending December 31,</u>	
2021	\$ 22,500
2022	22,500
2023	22,500
2024	22,500
2025	22,500
Thereafter	<u>26,250</u>
Total	<u>\$ 138,750</u>

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2020

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Note 8: Operating Leases (Continued)

Total rental expense under this lease was \$25,043 for the year ended December 31, 2020. Additionally, during 2020 the Organization made prepayments of \$60,012 and \$167,832 on two more truck leases, whose lease terms are scheduled to begin in early 2021 when the trucks are delivered to the Organization. As of December 31, 2020, these two leases had been paid in full except for the additional mileage charges to be incurred during the lease term. Total prepayments of \$227,844 have been included in prepaid expenses on the Statement of Financial Position at December 31, 2020.

Note 9: 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 2020, \$28,100 was distributed from the endowment to the Organization. The endowment fair market value was approximately \$574,886 at December 31, 2020.

Note 10: 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, 2020. 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 11: Designations and Restrictions on Net Assets

At December 31, 2020, the Organization had the following net assets with donor restrictions:

Purpose restrictions:		
No Cook Bags	\$	9,600
Auction animals purchases		23,563
Children's Breakfast Bags		62,809
Nourish Our Future - debt reduction		66,235
		<hr/>
	\$	<u>162,207</u>

At December 31, 2020, the Organization had no board designations on their net assets without donor restrictions.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2020

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Note 12: COVID-19 Pandemic

The Organization has been impacted by the COVID-19 pandemic. The extent to which COVID-19 will impact business will depend on future developments and public health advancements, which are highly uncertain and cannot be predicted with confidence. Due to this uncertainty surrounding the on-going pandemic, the length and severity of the outbreak, and the disruption across supply chains, economies and financial markets, there is uncertainty as to how these events will affect results of operations in the future.

Note 13: Subsequent Events

Events subsequent to December 31, 2020 have been evaluated through November 8, 2021, which is the date the financial statements were available to be issued. Management identified no subsequent events requiring disclosure.

Other Independent Auditors' Reports



**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, 2020, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2021.

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.

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 were not identified. However, during our audit we did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a material weakness.

Board of Directors
Food Bank Coalition of San Luis Obispo County
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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

November 8, 2021



**Independent Auditors' Report on Compliance For Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Food Bank Coalition of San Luis Obispo County's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Food Bank Coalition of San Luis Obispo County's major federal programs for the year ended December 31, 2020. Food Bank Coalition of San Luis Obispo County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Food Bank Coalition of San Luis Obispo County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Food Bank Coalition of San Luis Obispo County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Food Bank Coalition of San Luis Obispo County's compliance.

Board of Directors
Food Bank Coalition of San Luis Obispo County
Page 2

Opinion on Each Major Federal Program

In our opinion, Food Bank Coalition of San Luis Obispo County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Food Bank Coalition of San Luis Obispo County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Food Bank Coalition of San Luis Obispo County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Food Bank Coalition of San Luis Obispo County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of control over compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charges with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, during our audit we did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

GLENN BURDETTE ATTEST CORPORATION

Glenn Burdette Attest Corporation
San Luis Obispo, California

November 8, 2021

Food Bank Coalition of San Luis Obispo County
Schedule of Expenditure of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
US Department of Agriculture			
National Institute of Food and Agriculture, Community Food Project	10.225	13-329-33800	\$ 65,960
Passed through California Department of Food & Agriculture Speciality Crop Block Grant - Farm Bill, Emergency boxes	10.170	18-0001-084-SC	5,060
Speciality Crop Block Grant - Farm Bill, Emergency boxes	10.170	19-0001-070-SF	3,418
Subtotal			<u>8,478</u>
Food Distribution Cluster:			
Passed through California Department of Social Services Emergency Food Assistance Program, <u>COVID-19</u> : Coronavirus Aid, Relief, and Economic Security Act	10.568	15-MOU-00140 A-2	145,351
Emergency Food Assistance Program, <u>COVID-19</u> : Families First Coronavirus Response Act	10.568	15-MOU-00140 A-2	123,893
Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00140 A-2	187,044
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00140 A-2	750,137
Total Food Distribution Cluster			<u>1,206,425</u>
Total US Department of Agriculture			<u>1,280,863</u>
US Department of the Treasury			
Passed through California Department of Social Services <u>COVID-19</u> : Coronavirus Relief Fund	21.019	15-MOU-00140	381,008
Passed through California Department of Social Services <u>COVID-19</u> : Coronavirus Relief Fund, F2F Disaster Relief Boxes	21.019	19-3070	153,907
Total US Department of the Treasury			<u>534,915</u>
Total expenditures of federal awards			<u>\$ 1,815,778</u>

See accompanying notes to the schedule of expenditures of federal awards.

Food Bank Coalition of San Luis Obispo County
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Note 1: Basis of Presentation

The purpose of the accompanying schedule of expenditures of federal awards (the schedule) is to present a summary of those activities of Food Bank Coalition of San Luis Obispo County (the Organization) for the year ended December 31, 2020, which have been financed by federal awards. For purposes of the schedule, federal awards include all federal grants received directly from the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the schedule presents only a selected portion of the activities of the Organization, it is not intended to and does not present either the financial position or changes in net position of the Organization.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the basic financial statements.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years. There were no sub-recipients for the year ended December 31, 2020.

Note 3: Indirect Cost Rate

The Organization has not elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance, but rather the rates established directly with the respective federal agencies.

Food Bank Coalition of San Luis Obispo County
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I: Summary of Auditors' Results

Financial Statements

- (a) Type of auditors' report issued on financial statements: **Unmodified.**
- (b) Internal control over financial reporting:
- Material weakness(es) identified: **Yes, Finding 2020-001.**
 - Significant deficiencies identified not considered to be material weaknesses: **None reported.**
- (c) Noncompliance material to financial statements noted: **No.**

Federal Awards

- (d) Internal control over major programs:
- Material weakness(es) identified: **No.**
 - Significant deficiencies identified not considered to be material weaknesses: **None reported.**
- (e) Type of auditors' report issued on compliance for major programs: **Unmodified.**
- (f) Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516a): **No.**
- (g) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**
- (h) Major program(s):
- Emergency Food Assistance Program (10.568 & 10.569)
- (i) Auditee qualified as low-risk auditee: **No.**

**Section II: Findings Relating to the Financial Statements Which are Required to be Reported in
Accordance with Generally Accepted *Government Auditing Standards***

Finding 2020-001: 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 to reconcile beginning net assets, and to correct deferred revenue, prepaid expenses, depreciation and amortization, and net asset with donor restrictions. In addition, assistance was needed to prepare the Schedule of Expenditure of Federal Awards for 2020.

We prepared 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.

Food Bank Coalition of San Luis Obispo County
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020
Page 3

Finding 2020-001: Lack of Expertise in Financial Accounting and Reporting (Material Weakness) (Continued)

Views of Responsible Officials and Planned Corrective Actions:

Management acknowledges 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. Management intends to provide a trial balance with all adjusting journal entries and support schedules prior to future audits.

Section III: Findings and Questioned Costs for Federal Awards

None.

Food Bank Coalition of San Luis Obispo County
Status of Prior Year Findings and Questioned Costs – December 31, 2019
Year Ended December 31, 2020

Section IV: Status of Prior Year Findings and Questioned Costs

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.

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.

Current Status:

Management acknowledges that this is an ongoing issue (see current year Finding 2020-001) and intends to make improvements prior to future audits.

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.

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.

Food Bank Coalition of San Luis Obispo County
Status of Prior Year Findings and Questioned Costs – December 31, 2019
Year Ended December 31, 2020
Page 2

Finding 2019-002: Control Procedures for Cash Disbursements (Continued)

Current Status:

Management has implemented the above recommendation by updating the Organization's internal control policy for cash disbursements. Now, only checks over \$15,000 require two signatures. This higher threshold is better suited to the Organization's needs.