

Food Bank Coalition of San Luis Obispo County

Financial Statements

Year Ended December 31, 2021

Food Bank Coalition of San Luis Obispo County
Financial Statements
Year Ended December 31, 2021

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank Coalition of San Luis Obispo County as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Food Bank Coalition of San Luis Obispo County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Board of Directors of
Food Bank Coalition of San Luis Obispo County
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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Food Bank Coalition of San Luis Obispo County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Bank Coalition of San Luis Obispo County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary 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

**Board of Directors of
Food Bank Coalition of San Luis Obispo County
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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 schedule of expenditures of federal awards 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 our report dated June 23 2022, on our consideration of Food Bank Coalition of San Luis Obispo County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Food Bank Coalition of San Luis Obispo County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 irregular style.

Glenn Burdette Attest Corporation
San Luis Obispo, California

June 23 2022

Food Bank Coalition of San Luis Obispo County
Statement of Financial Position
December 31, 2021

Assets

Current assets:

Cash	\$ 2,558,050
Grants receivable	109,906
Accounts receivable	10,337
Current portion of contributions receivable, net of allowance	34,357
Inventories	714,147
Prepaid expenses	598,835
Total current assets	4,025,632

Property and equipment, net of accumulated depreciation

3,291,489

Other assets:

Contributions receivable, net of current portion, allowance and discount	12,809
Investments	3,333,622
Total other assets	3,346,431

Total assets \$ 10,663,552

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 25,580
Accrued compensation	94,896
Accrued vacation	34,044
Deferred revenue	54,937
Total current liabilities	209,457

Total liabilities 209,457

Net assets:

Without donor restrictions	10,247,102
With donor restrictions	206,993
Total net assets	10,454,095

Total liabilities and net assets \$ 10,663,552

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

Food Bank Coalition of San Luis Obispo County
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Federal cash contributions	\$ 761,730	\$	\$ 761,730
Donated federal commodities	797,307		797,307
Donated food	4,003,414		4,003,414
Other in-kind donations	93,941		93,941
Contributions and grants	5,481,805	265,955	5,747,760
Purchased food	100,403		100,403
Investment income, net of fees	96,867		96,867
Realized and unrealized loss on investments	(82,975)		(82,975)
Gain on sale of property and equipment	85,363		85,363
Gain on extinguishment of debt	166,000		166,000
Other income	172,919		172,919
Total revenues and other support	11,676,774	265,955	11,942,729
Net assets released from restrictions	221,169	(221,169)	-
Expenses:			
Program Services:			
Cost of food purchased	615,652		615,652
Donated food distributed	4,135,024		4,135,024
Commodities distributed	731,824		731,824
Other program service costs	1,691,488		1,691,488
Supporting Services:			
General and administration	447,518		447,518
Fundraising	517,141		517,141
Total expenses	8,138,647		8,138,647
Change in net assets	3,759,296	44,786	3,804,082
Net assets - beginning of year	6,487,806	162,207	6,650,013
Net assets - end of year	\$ 10,247,102	\$ 206,993	\$ 10,454,095

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, 2021

	<u>Supporting Services</u>			Total
	Program Services	General and Administration	Fund- Raising	
Accounting services	\$	\$ 38,000	\$	\$ 38,000
Advertising and promotion			60,570	60,570
Bank fees	520	83	41,425	42,028
Commodities distributed	731,824			731,824
Community relations	46	16	12,398	12,460
Computer expenses and software	70,953	13,899	34,953	119,805
Contract services	57,501	2,776	23,930	84,207
Cost of food purchased	615,652			615,652
Depreciation	126,178	2,092	1,091	129,361
Donated food distributed	4,135,024			4,135,024
Dues and subscriptions	16,123	366	1,588	18,077
Equipment and machinery maintenance	32,368			32,368
Fundraising			56,697	56,697
Government fees and taxes	1,020	150		1,170
In kind donations expensed	45,900			45,900
Insurance	48,722	6,556	622	55,900
Interest and finance charges	27,637	3,753	3,502	34,892
Miscellaneous	2,225	49	397	2,671
Office expense	2,049	15,285	91	17,425
Rent and occupancy	14,589	3,788	164	18,541
Salaries and wages and related expenses	976,113	349,738	219,940	1,545,791
Supplies, printing and postage	6,577	8,276	56,896	71,749
Telephone	7,894	518	1,373	9,785
Travel and meeting expenses	2,452	1,231	724	4,407
Utilities	50,770	601	730	52,101
Vehicle expenses	128,584			128,584
Warehouse operations expenses	73,267	341	50	73,658
	<u>\$ 7,173,988</u>	<u>\$ 447,518</u>	<u>\$ 517,141</u>	<u>\$ 8,138,647</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, 2021

Cash flows from operating activities:	
Change in net assets	\$ 3,804,082
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	129,361
Contribution of investments	(563,361)
Realized and unrealized loss on investments	82,975
Gain on extinguishment of debt	(166,000)
Gain on sale of property and equipment	(85,363)
Changes in operating assets and liabilities:	
Grants receivable	(94,297)
Accounts receivable	(6,500)
Contributions receivable	21,900
Inventories	(51,064)
Prepaid expenses	(355,786)
Accounts payable	1,970
Accrued compensation	33,556
Accrued vacation	(8,958)
Agency credits	(43,809)
Deferred revenue	23,474
Net cash provided by operating activities	<u>2,722,180</u>
Cash flows from investing activities:	
Proceeds from sales of investments	604,704
Purchases of investments and reinvested income	(3,416,219)
Proceeds from sale of property and equipment	118,200
Purchases of property and equipment	(13,764)
Net cash used in investing activities	<u>(2,707,079)</u>
Cash flows from financing activities:	
Repayment of notes payable	(2,239,711)
Net cash used in financing activities	<u>(2,239,711)</u>
Net decrease in cash	(2,224,610)
Cash - beginning of year	<u>4,782,660</u>
Cash - end of year	<u>\$ 2,558,050</u>
Supplemental schedule of investing and financing activities:	
Cash paid for interest during the year	\$ 16,541

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, 2021

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

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, 2021, the Organization had no cash equivalents.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2021

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Note 2: Summary of Significant Accounting Policies (Continued)

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, 2021, 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, 2021, the allowance was \$3,761.

Inventories

Inventories consisted of purchased and donated food and government commodities. At December 31, 2021, donated food and government commodities were 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 and government commodities 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.

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.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2021

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Note 2: Summary of Significant Accounting Policies (Continued)

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, 2021.
- *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.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2021

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Note 2: Summary of Significant Accounting Policies (Continued)

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 Supplies and Services

The Organization receives donated supplies which are utilized during the reporting period for the Organization's mission. For the year ended December 31, 2021, the Organization received donated delivery vehicle fuel in the amount of \$26,041 and donated grocery store gift cards in the amount of \$57,400, of which \$45,900 were distributed during the period.

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 \$10,500 for the year ended December 31, 2021.

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, 2021 cash included \$1,820,193 in excess of FDIC insurance limits.

Major Contributors:

At December 31, 2021, one entity accounted for 91% of accounts receivable, and two donors accounted for approximately 86% of the Organization's total contributions receivable.

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2021

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Note 2: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Organization records its financial assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (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:

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

Mutual funds: Mutual funds 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, 2021

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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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond funds	\$ 1,298,938	\$	\$	\$ 1,298,938
Mutual funds	2,034,684			2,034,684
Total investments at fair value	<u>\$ 3,333,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,333,622</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	\$ 2,558,050
Grants receivable	109,906
Accounts receivable	10,337
Current contributions receivable	34,357
Less: net assets with purpose restrictions	<u>(206,993)</u>
	<u>\$ 2,505,657</u>

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2021

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Note 3: Liquidity and Availability (Continued)

The current grants receivable of \$109,906 consist of contracts with the US Government under the Emergency Food Assistance program and other contracts administered by the State of California and the County of San Luis Obispo. 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 2022.

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 promises to give towards general operations.

At December 31, 2021, contributions receivable were expected to be received as follows:

<u>For the Year Ending December 31,</u>	
2022	\$ 35,420
2023	8,000
2024	<u>7,900</u>
Total	51,320
Less: Allowance for uncollectibles	(3,761)
Unamortized discount	<u>(393)</u>
Contributions receivable, net of allowance	<u><u>\$ 47,166</u></u>

Note 5: Inventories

At December 31, 2021, inventories consisted of the following:

Donated food	\$ 208,717
Purchased food	133,620
USDA commodities	<u>371,810</u>
Inventories	<u><u>\$ 714,147</u></u>

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

At December 31, 2021, property and equipment consisted of the following:

Land	\$ 763,187
Building and improvements	2,950,044
Equipment	151,201
Vehicles	20,730
Computer hardware and software	61,013
	<u>3,946,175</u>
Less accumulated depreciation	<u>(654,686)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 3,291,489</u></u>

Depreciation expense was \$129,361 for the year ended December 31, 2021.

Note 7: Operating Leases

At December 31, 2021, the Organization leased six refrigerated vehicles for food delivery under various operating leases maturing through September 2027. The minimum monthly payments on five of these leases were fully prepaid by the Organization as of December 31, 2021, however the Organization must still pay additional charges based on mileage during the lease terms. Total prepayments of \$587,335 are included in prepaid expenses on the Statement of Financial Position. The minimum monthly payment for the single non-prepaid lease is \$1,875. At December 31, 2021, future minimum payments under this lease were as follows:

<u>For the Year Ending December 31,</u>	
2022	\$ 22,500
2023	22,500
2024	22,500
2025	22,500
2026	22,500
Thereafter	<u>5,625</u>
Total	<u><u>\$ 118,125</u></u>

Total rental expense under these leases was \$101,270 for the year ended December 31, 2021.

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

Food Bank Coalition of San Luis Obispo County

Notes to Financial Statements

December 31, 2021

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Note 8: Endowment to Support Food Acquisition and Distribution (Continued)

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 2021, \$28,767 was distributed from the endowment to the Organization. The endowment fair market value was approximately \$600,291 at December 31, 2021.

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, 2021. The Organization can terminate the agreement by a written notice 30 days in advance subject to the termination provisions as defined by the agreement. Feeding America can terminate the agreement with cause as provided by the compliance standards per the agreement.

Note 10: Designations and Restrictions on Net Assets

At December 31, 2021, the Organization had the following net assets with donor restrictions:

Purpose restrictions:		
Auction animals purchases	\$	23,010
Fresh food (non-shelf stable) purchases		13,357
CalFresh purchases		25,000
Children's Breakfast Bags		44,663
Seniors home delivery program		61,282
Other		39,681
		<hr/>
	\$	206,993
		<hr/> <hr/>

At December 31, 2021, the Organization had no board designations on their net assets without donor restrictions

Note 11: Subsequent Events

Events subsequent to December 31, 2021 have been evaluated through June 23 2022, which is the date the financial statements were available to be issued. Management identified no subsequent events requiring disclosure.

Federal Awards

**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, 2021, 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 June 23, 2022.

Report on 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.

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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 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 2021-001, that we consider to be a material weakness.

Report on 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 financial statements. 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 of internal control and compliance and the results of that 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

June 23, 2022

**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

Opinion on Each Major Federal Program

We have audited Food Bank Coalition of San Luis Obispo County's compliance with the types of compliance requirements identified as subject to audit in the 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, 2021. Food Bank Coalition of San Luis Obispo County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Food Bank Coalition of San Luis Obispo County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Food Bank Coalition of San Luis Obispo County's compliance with the compliance requirements referred to above.

Board of Directors
Food Bank Coalition of San Luis Obispo County
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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Food Bank Coalition of San Luis Obispo County's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Food Bank Coalition of San Luis Obispo County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Food Bank Coalition of San Luis Obispo County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Food Bank Coalition of San Luis Obispo County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Food Bank Coalition of San Luis Obispo County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Food Bank Coalition of San Luis Obispo County's internal control over compliance. Accordingly, no such opinion is expressed.

Board of Directors

Food Bank Coalition of San Luis Obispo County

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Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of 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 charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
San Luis Obispo, California

June 23 2022

Food Bank Coalition of San Luis Obispo County
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Assistance Listing Number	Pass-through ID Number	Federal Expenditures
US Department of Agriculture			
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	\$ 30,589
Emergency Food Assistance Program, <u>COVID-19</u> : Families First Coronavirus Response Act	10.568	15-MOU-00140 A-2	61,233
Emergency Food Assistance Program, <u>COVID-19</u> : Coronavirus Response and Relief Supplemental Appropriations Act	10.568	15-MOU-00140 A-2	130,006
Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00140 A-2	410,505
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00140 A-2	<u>797,307</u>
			1,429,640
Passed through California Department of Food & Agriculture Farm to Food Bank Program	10.569	20-7014	<u>1,105</u>
Total Food Distribution Cluster			<u>1,430,745</u>
Total US Department of Agriculture			<u>1,430,745</u>
US Department of the Treasury			
Passed through California Department of Social Services <u>COVID-19</u> : Coronavirus Relief Fund, F2F Disaster Relief Boxes	21.019	19-3070	<u>128,292</u>
Total US Department of the Treasury			<u>128,292</u>
Total expenditures of federal awards			<u>\$ 1,559,037</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, 2021

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, 2021, 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, 2021.

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, 2021

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 2021-001.**
 - 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 2021-001: 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, to correctly record grant revenue, deferred revenue, and grants receivable, to record depreciation expense, to properly dispose of fixed assets, and to correct net asset with donor restrictions.

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, 2021
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Finding 2021-001: 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, 2020
Year Ended December 31, 2021

Section IV: Status of Prior Year Findings and Questioned Costs

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 assets with donor restrictions. In addition, assistance was needed to prepare the Schedule of Expenditures of Federal Awards for 2020.

In addition, 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.

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 2021-001) and intends to make improvements prior to future audits.