

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

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SALINAS OFFICE
450 LINCOLN AVENUE
SUITE 200
SALINAS, CA 93901
PHONE 831-757-5311
FAX 831-757-9529
BKPCPA.COM

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Food Bank of San Benito County
Hollister, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Food Bank of San Benito County (CFB), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Food Bank of San Benito County as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the Community Food Bank of San Benito 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CFB's internal control over financial reporting and compliance.

Bianchi, Kavanan & Pope, LLP

Salinas, California
December 12, 2019

FINANCIAL STATEMENTS

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	ASSETS	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 452,852	\$ 336,251
Pledges receivable - current - Note 4	160,000	-
Other receivables - Note 5	26,330	19,439
Food inventory - net	14,929	17,343
Prepaid expenses	37,494	20,158
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	691,605	393,191
PLEDGES RECEIVABLE - net - Note 4	142,772	-
PROPERTY AND EQUIPMENT - net - Note 6	2,109,330	2,114,253
BENEFICIAL INTEREST IN FUND HELD BY COMMUNITY FOUNDATION - Note 7	72,427	63,666
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 3,016,134</u>	<u>\$ 2,571,110</u>
 CURRENT LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,354	\$ 7,069
Accrued expenses	12,326	6,922
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	22,680	13,991
NET ASSETS		
Without donor restrictions	1,616,375	1,350,609
With donor restrictions - Note 11	1,377,079	1,206,510
	<hr/>	<hr/>
TOTAL NET ASSETS	2,993,454	2,557,119
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TOTAL CURRENT LIABILITIES AND NET ASSETS	<u>\$ 3,016,134</u>	<u>\$ 2,571,110</u>

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

COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
EXPENSES		Total		Total
Operating Expenses				
Program services	\$ 2,275,571	\$ -	\$ 2,705,868	\$ -
Supporting services:				
Management and general	63,097	-	79,277	-
Fundraising	4,983	-	5,695	-
Total Operating Expenses	<u>2,343,651</u>	<u>-</u>	<u>2,790,840</u>	<u>-</u>
Loss on disposition of assets	1,380	-	-	-
TOTAL EXPENSES	<u>2,345,031</u>	<u>-</u>	<u>2,790,840</u>	<u>-</u>
CHANGE IN NET ASSETS	265,766	170,569	186,276	(263,889)
NET ASSETS, BEGINNING OF YEAR	<u>1,350,609</u>	<u>1,206,510</u>	<u>1,164,333</u>	<u>1,470,399</u>
NET ASSETS, END OF YEAR	<u>\$ 1,616,375</u>	<u>\$ 1,377,079</u>	<u>\$ 1,350,609</u>	<u>\$ 1,206,510</u>
		<u>\$ 2,993,454</u>		<u>\$ 2,557,119</u>

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

COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018				
	Program Services	Supporting Services Management & General	Fundraising	Total	Program Services	Supporting Services Management & General	Fundraising	Total
Food distribution	\$ 1,686,542	\$ -	\$ -	\$ 1,686,542	\$ 1,959,051	\$ -	\$ -	\$ 1,959,051
Salaries and wages	319,637	35,914	3,591	359,142	347,131	39,004	3,900	390,035
Depreciation - Note 6	66,989	7,443	-	74,432	58,867	6,541	-	65,408
Miscellaneous	54,864	6,164	616	61,644	40,044	4,499	450	44,993
Payroll taxes and benefits	41,992	4,718	472	47,182	47,841	5,376	538	53,755
Equipment maintenance	30,285	-	-	30,285	33,708	-	-	33,708
Professional fees	18,012	2,001	-	20,013	23,458	2,606	-	26,064
Thrift shop cost of sales	16,479	-	-	16,479	100,266	-	-	100,266
Utilities	13,090	1,471	147	14,708	24,272	2,727	273	27,272
Memberships and subscriptions	8,329	926	-	9,255	8,428	936	-	9,364
Supplies	5,609	630	63	6,302	11,623	1,306	131	13,060
Insurance	5,650	635	63	6,348	4,157	467	47	4,671
Office expense	2,578	2,578	-	5,156	9,260	9,260	-	18,520
Postage and shipping	1,877	211	21	2,109	2,297	258	26	2,581
Telephone	1,681	187	-	1,868	3,058	340	-	3,398
Bank charges	1,098	122	-	1,220	3,032	337	-	3,369
Rent - Note 8	859	97	10	966	29,375	3,301	330	33,006
Write-off uncollectible receivables	-	-	-	-	-	2,319	-	2,319
TOTAL FUNCTIONAL EXPENSES	\$ 2,275,571	\$ 63,097	\$ 4,983	\$ 2,343,651	\$ 2,705,868	\$ 79,277	\$ 5,695	\$ 2,790,840

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

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 436,335	\$ (77,613)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cash contributions restricted for capital campaign	-	(63,263)
Cash contributions restricted for beneficial interest in fund held by Community Foundation	(5,350)	(265)
Depreciation	74,432	65,408
In-kind contributions of food and non-food	1,616,036	1,967,945
Distribution of in-kind food and non-food	(1,615,662)	(1,938,052)
Other changes in value of beneficial interest in fund held by Community Foundation	(3,411)	(3,341)
Loss on disposition of assets	1,380	-
Write-off of uncollectible receivables	-	2,219
(Increase) decrease in assets:		
Pledges receivable	(302,772)	-
Other receivables	(6,891)	100,442
Purchased food inventory	2,040	1,073
Prepaid expenses	(17,336)	(15,413)
Increase (decrease) in liabilities:		
Accounts payable	3,285	(68)
Accrued expenses	5,404	(3,475)
NET CASH PROVIDED BY OPERATING ACTIVITIES	187,490	35,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of beneficial interest in fund held by Community Foundation	(5,350)	(265)
Cash proceeds from the sale of property and equipment	600	-
Purchase of property and equipment	(71,489)	(1,221,427)
NET CASH USED IN INVESTING ACTIVITIES	(76,239)	(1,221,692)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received restricted for capital campaign	-	63,263
Cash received restricted for beneficial interest in fund held by Community Foundation	5,350	265
Payments received from City of Hollister	-	979,268
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,350	1,042,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	116,601	(143,299)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	336,251	479,550
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 452,852	\$ 336,251

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

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. ORGANIZATION AND NATURE OF ACTIVITIES

Organization

Community Food Bank of San Benito County (CFB), a nonprofit corporation, was established in 1989, as a pantry to provide food and services to San Benito residents in need, serving 35 families in its first year. CFB's mission is to provide food, nutritional education and advocacy for those in need within San Benito County, while pursuing the ultimate vision that no resident will suffer from hunger or malnutrition in San Benito County. CFB is a 501(c)(3) non-profit organization with eight full-time paid employees. Volunteer efforts significantly augment CFB's serving capacity by providing over 6,000 hours.

CFB serves 6,000 people per month through our food programs. Approximately 16% are seniors and 48% are children.

2. PROGRAM SERVICES

The CFB's direct service programs include food distribution and community education and outreach.

Food Distribution Programs

The Marketplace:

The Food Bank's Marketplace program offers customers a variety of fresh produce and groceries arranged in a market-style shopping experience.

Brown Bag Delivery:

Every week, a team of dedicated staff and volunteers come together to pack and deliver food bags to seniors and homebound individuals throughout the county.

Student Snack Bag Program:

To help some children make it through the weekends, when school cafeteria programs are not available, CFB fills bags with nutritious, child-friendly food for students to take home in their backpacks. With this help, they can come back to school on Monday feeling better and more ready to learn.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

2. PROGRAM SERVICES (Continued)

Food Distribution Programs (Continued)

Community Partnerships:

CFB takes great pride in its partnerships with local organizations to promote a healthy community. Partners include local grocers, growers, and packers for food, leading corporations, service organizations from scout groups to motorcycle clubs and other non-profits helping folks with essential needs in life.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of CFB have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The CFB reports information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restriction: Net assets which are not subject to or are no longer subject to donor imposed stipulations.
- Net assets with donor restriction: The use of these net assets is limited by donor imposed time and/or purpose stipulations.

Contributions restricted by the donor are reported as increases in net assets without restriction if the restriction expires, (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 restriction.

When a restriction is satisfied, net assets with donor restriction are reclassified to net assets without restriction and reported in the Statement of Activities as net assets released from restriction.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Expenses are reported as decreases in net assets without donor restriction. Gains and losses on assets are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor restriction or by law.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purpose of the statements of cash flows, the CFB considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash, certificate of deposit and money market funds.

Pledges, Accounts and Grants Receivable

The CFB considers all pledges, accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

All pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using an interest rate of 2.5% as June 30, 2019 and 2018. Amortization of this discount is included in foundations and other institutions support in the accompanying statements of activities.

Inventory

Inventory, consisting of food inventory, is stated at the lower of cost or market determined by the first in, first-out method.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory (Continued)

Food inventory is comprised of: 1) donated foods, 2) purchased food valued at cost and 3) Emergency Food Assistance Program (EFAP) food valued according to the USDA's determination of the commodities, fair market value. Donated food is valued at Feeding America's average value of \$1.73 and \$1.67 per pound for the year ended June 30, 2019 and 2018, respectively. The valuation is based on a cost study conducted by other outside professionals for the Second Harvest National Food Bank.

Food inventory is presented net of a reserve for food that is expected to spoil before being distributed. The food inventory reserve at June 30, 2019 and 2018 was \$-0- and \$1,400, respectively.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Furniture and fixtures	5 - 10
Auto and trucks	5 - 10
Leasehold improvements	3 - 10
Building and improvements	30

Normal repairs and maintenance are expensed as incurred whereas significant improvements, which materially increase values or extend useful lives, are capitalized and depreciated over the remaining estimated useful lives of the related assets.

Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss on the sale or retirement is recognized in the statements of activities.

Fair Value Measurements

The CFB's financial instruments, including cash and cash equivalents, pledges, accounts and grants receivable, accounts payable and accrued expenses are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The CFB applies fair value measurements of financial assets and liabilities that are recorded in accordance with generally accepted accounting principles. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the CFB has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair value measurements on a recurring basis at June 30, 2019, are as follows:

	Level 1	Level 2	Level 3
Beneficial interest in fund held by Community Foundation	\$ -	\$ 72,427	\$ -

Fair value measurements on a recurring basis at June 30, 2018, are as follows:

	Level 1	Level 2	Level 3
Beneficial interest in fund held by Community Foundation	\$ -	\$ 63,666	\$ -

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The CFB recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Food contributions valued at \$1,586,707 and \$1,881,003 were received for the years ended June 30, 2019 and 2018, respectively. The CFB recognized contributions of thrift shop merchandise with a fair value of \$-0- and \$62,785 for the years ended June 30, 2019 and 2018, respectively. In addition, CFB received \$29,329 and \$24,157 in miscellaneous in-kind contributions for years ended June 30, 2019 and 2018, respectively.

The CFB also receives contributed services that do not require specific expertise but which are central to the CFB's operations. While these contributed services are not reflected in the financial statements, the estimated value of these services is \$121,860 and \$150,994 for the years ended June 30, 2019 and 2018, respectively. These amounts equated to approximately 6,093 and 8,882 volunteer hours, contributed by approximately 295 and 557 volunteers, respectively.

Allocation of Functional Expenses

The CFB reports information regarding the expense of providing various programs and activities summarized on a functional basis in the accompanying statements of activities and the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited based on periodic time and expense studies.

COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-Exempt Status

The CFB has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board under Code Sections 501(c)(3) and 23701(d), respectively. Certain types of income are considered unrelated business taxable income which is taxed at regular corporate income tax rates. The CFB had no unrelated business taxable income during the years ended June 30, 2019 or 2018.

Management evaluated the CFB's tax positions and concluded they took no uncertain tax positions requiring adjustment to the financial statements to comply with the provisions issued by the Financial Accounting Standards Board.

CFB files informational tax returns in the U.S. federal jurisdiction and state of California jurisdiction. CFB's 2016 through 2018 fiscal year tax returns are subject to examination by Federal taxing authorities and CFB's 2015 through 2018 fiscal year tax returns are subject to examination by California taxing authorities.

New Accounting Pronouncement

During the year ended June 30, 2019, CFB adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14- *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). CFB has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented.

The new standard changes the following aspects of CFB's financial statements:

- the temporarily restricted and permanently restricted net asset classes have been combined into a single asset class called net assets with donor restriction.
- the unrestricted net assets class has been renamed net assets without donor restriction.
- the financial statements include a new disclosure about liquidity and availability of resources.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accompanying information for the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14. The changes have the following effect on net assets at June 30, 2018:

As originally presented:

Unrestricted net assets	\$ 1,350,609
Temporarily restricted net assets	1,164,785
Permanently restricted net assets	<u>41,725</u>
Total net assets	<u>\$ 2,557,119</u>

After adoption of ASU 2016-14:

Net assets without donor restrictions	\$ 1,350,609
Net assets with donor restrictions	<u>1,206,510</u>
Total net assets	<u>\$ 2,557,119</u>

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statements presentation.

Concentrations

At times, CFB holds deposits with financial institutions with a total balance greater than the Federal Deposit Insurance Corporation's maximum insurable at each institution. As of June 30, 2019 and 2018, CFB's uninsured cash balance totaled \$79,082 and \$-0-, respectively. CFB believes there is no significant risk with respect to these deposits.

About 75% and 69% of food donations were contributed from four donors for the years ended June 30, 2019 and 2018, respectively.

Subsequent Events

Subsequent events have been evaluated through December 12, 2019, which is the date the financial statements were available to be issued.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

4. PLEDGES RECEIVABLE

Pledges receivable are due as follows at June 30:

	2019	2018
Less than one year	\$ 160,000	\$ -
One to five years	150,000	-
Discount to present value	(7,228)	-
Total pledges receivable	\$ 302,772	\$ -

5. OTHER RECEIVABLES

Receivables consists of the following at June 30:

	2019	2018
Government grants receivable	\$ 26,035	\$ 17,151
Other receivables	295	1,771
Contributions receivable	-	517
Total other receivables	\$ 26,330	\$ 19,439

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2019	2018
Furniture and fixtures	\$ 29,502	\$ 21,258
Auto and trucks	199,370	139,780
Building and improvements	1,849,854	1,848,399
	2,078,726	2,009,437
Accumulated depreciation	(234,722)	(160,510)
Land	265,326	265,326
Total property and equipment	\$ 2,109,330	\$ 2,114,253

Depreciation expense for the years ended June 30, 2019 and 2018, was \$74,432 and \$65,408, respectively.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

7. BENEFICIAL INTEREST IN FUND HELD BY COMMUNITY FOUNDATION

On January 18, 2005, CFB contributed \$10,000 to the Community Foundation for San Benito County (Community Foundation) to establish an endowment fund. The CFB named itself as the beneficiary of the fund. The Community Foundation matched the original \$10,000 contribution when the endowment fund was opened.

CFB specified that the Community Foundation is to distribute the earnings to the CFB as it requests the funds. Assets are valued by the Community Foundation based on the performance of the underlying assets and are considered Level 2 measurements.

CFB opened the fund in order to facilitate contributions channeled through the Community Foundation for the benefit of the Community Food Bank of San Benito County. CFB granted variance power to Community Foundation, thus Community Foundation has full authority and discretion as to the investment and reinvestment of the assets of the fund. The value of the endowment fund at June 30, 2019 and 2018, totaled \$72,427 and \$63,666, respectively.

Administrative expenses charged to the CFB by Community Foundation were \$1,235 and \$1,103 for the years ended June 30, 2019 and 2018, respectively.

8. OPERATING LEASES

On June 15, 2009, CFB entered into a lease for its thrift shop space for three years, ending on June 14, 2012, and then for another three years ending June 14, 2015. As of October 15, 2012, CFB agreed to rent additional space through June 14, 2015. The total rental amount is \$2,200 monthly. On May 31, 2018, CFB's thrift store was closed and rental agreement for this location cancelled.

On February 15, 2013, CFB entered into a lease for its San Juan Bautista agency store for six months, ending on August 14, 2013. The total rental amount is \$615 monthly. On February 28, 2018, CFB closed its San Juan Bautista agency store and cancelled the rental agreement for this location.

Total rent expense incurred for the years ended June 30, 2019 and 2018 totaled \$966 and \$33,006, respectively.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

9. FOOD BANK FACILITY IMPROVEMENTS

During the year ended June 30, 2017, the CFB entered into an agreement with the City of Hollister in which the City of Hollister provided financial assistance totaling \$1,227,907, in the form of a forgivable loan, to be applied toward improvements of the food bank facility on real property owned by the CFB. The funding source for the City of Hollister's forgivable loan was a Community Development Block Grant (CDBG) from the Department of Housing and Community Development (HCD). The agreement is secured by the real property owned by the CFB. The agreement has specific restrictions and covenants surrounding the acceptable use of the property and the terms of forgiveness depend upon adherence to the agreement. If CFB does not comply with the requirements, the remaining balance would be due and payable.

As management believes the conditions related to the forgivable loan have substantially been met and the CFB has the present intention and ability to maintain the conditions of forgiveness, the proceeds from this forgivable loan were ratably recognized as net assets with donor restrictions in the year ended June 30, 2017. The restrictions are released over the term of the forgivable loan, ten years, commencing at the completion date. On July 30, 2017, the food bank facility improvements were completed and placed into service. Amounts forgiven on the loan were \$122,791 in the years ended June 30, 2019 and 2018. Total amounts released as of June 30, 2019 and 2018 were \$245,582 and \$122,791, respectively.

10. RETIREMENT PLAN

The CFB maintains a tax deferred 403(b) retirement plan to provide retirement benefits for all eligible employees. The plan does not provide any contributions from the CFB, rather allows employees a vehicle to defer payroll amounts to self-directed accounts. CFB incurred no expenses related to the 403(b) plan in the years ended June 30, 2019 and 2018.

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

11. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
CDBG City of Hollister forgivable loan	\$ 982,325	\$ 1,105,116
Receivable for general operating support in future years	300,000	-
Beneficial interest in fund held by Community Foundation	47,075	41,725
Foodbank thrift store sustainability project	47,679	-
General operating support restricted for future years	-	50,000
Funds restricted for capital campaign improvements	<u>-</u>	<u>9,669</u>
Total	<u>\$ 1,377,079</u>	<u>\$ 1,206,510</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Forgivable loan	\$ 122,791	\$ 122,791
Program activities	50,000	134,059
Capital improvement activities	<u>9,669</u>	<u>120,566</u>
Total	<u>\$ 182,460</u>	<u>\$ 377,416</u>

**COMMUNITY FOOD BANK OF SAN BENITO COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the CFB's financial assets as of June 30, 2019 and 2018, reduced by amounts not available for general expenditure within one year.

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 452,852	\$ 336,251
Pledges receivable	160,000	-
Other receivables	26,330	19,439
Beneficial interest in assets held by Community Foundation	72,427	63,666
Total financial assets	711,609	419,356
Less financial assets unavailable for general expenditure within one year due to the following:		
Beneficial interest in assets held by Community Foundation	72,427	63,666
Financial assets available to meet cash needs for expenditures within one year	\$ 639,182	\$ 355,690

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

**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***



SALINAS OFFICE
450 LINCOLN AVENUE
SUITE 200
SALINAS, CA 93901
PHONE 831-757-5311
FAX 831-757-9529
BKPCPA.COM

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
Community Food Bank of San Benito County
Hollister, California

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 Community Food Bank of San Benito County (CFB), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CFB'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 CFB's internal control. Accordingly, we do not express an opinion on the effectiveness of the CFB'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 CFB'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CFB's financial statements are free from 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*.

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 CFB'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 CFB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bianchi, Kazarian & Pope, LLP
Salinas, California
December 12, 2019