

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

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INDEPENDENT AUDITORS' REPORT

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

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, 2020 and 2019, 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, 2020 and 2019, 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 11, 2020, 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, Kasavan & Pope, LLP
Salinas, California
December 11, 2020

FINANCIAL STATEMENTS

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	ASSETS		2020		2019
CURRENT ASSETS					
Cash and cash equivalents		\$	997,286	\$	452,852
Pledges receivable - current - Note 4			150,000		160,000
Other receivables - Note 5			57,118		26,330
Food inventory - net			46,088		14,929
Prepaid expenses			20,530		37,494
TOTAL CURRENT ASSETS			1,271,022		691,605
PLEDGES RECEIVABLE - net - Note 4			-		142,772
PROPERTY AND EQUIPMENT - net - Note 6			2,079,516		2,109,330
INTANGIBLE ASSET - net			4,917		-
BENEFICIAL INTEREST IN FUND HELD BY COMMUNITY FOUNDATION - Note 7			73,416		72,427
TOTAL ASSETS			\$ 3,428,871		\$ 3,016,134
CURRENT LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable		\$	21,517	\$	10,354
Accrued expenses			4,994		12,326
TOTAL CURRENT LIABILITIES			26,511		22,680
NET ASSETS					
Without donor restrictions			2,064,952		1,616,375
With donor restrictions - Note 11			1,337,408		1,377,079
TOTAL NET ASSETS			3,402,360		2,993,454
TOTAL CURRENT LIABILITIES AND NET ASSETS			\$ 3,428,871		\$ 3,016,134

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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES						
Operating Expenses						
Program services	\$ 2,558,299	\$ -	\$ 2,558,299	\$ 2,275,571	\$ -	\$ 2,275,571
Supporting services:						
Management and general	79,119	-	79,119	63,097	-	63,097
Fundraising	5,609	-	5,609	4,983	-	4,983
Total Operating Expenses	2,643,027	-	2,643,027	2,343,651	-	2,343,651
Loss on disposition of assets	-	-	-	1,380	-	1,380
TOTAL EXPENSES	2,643,027	-	2,643,027	2,345,031	-	2,345,031
CHANGE IN NET ASSETS	448,577	(39,671)	408,906	265,766	170,569	436,335
NET ASSETS, BEGINNING OF YEAR	1,616,375	1,377,079	2,993,454	1,350,609	1,206,510	2,557,119
NET ASSETS, END OF YEAR	\$ 2,064,952	\$ 1,337,408	\$ 3,402,360	\$ 1,616,375	\$ 1,377,079	\$ 2,993,454

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, 2020 AND 2019

	2020			2019				
	Program Services	Supporting Services Management & General	Supporting Services Fundraising	Total	Program Services	Supporting Services Management & General	Supporting Services Fundraising	Total
Food distribution	\$ 1,822,356	\$ -	\$ -	\$ 1,822,356	\$ 1,686,542	\$ -	\$ -	\$ 1,686,542
Salaries and wages	331,658	37,265	3,727	372,650	319,637	35,914	3,591	359,142
Depreciation and amortization	79,970	8,885	-	88,855	66,989	7,443	-	74,432
Professional fees	77,826	8,647	-	86,473	18,012	2,001	-	20,013
Payroll taxes and benefits	71,170	7,997	800	79,967	41,992	4,718	472	47,182
Miscellaneous	59,469	6,682	668	66,819	54,864	6,164	616	61,644
Equipment maintenance	32,582	-	-	32,582	30,285	-	-	30,285
Thrift shop cost of sales	31,010	-	-	31,010	16,479	-	-	16,479
Utilities	13,515	1,519	152	15,186	13,090	1,471	147	14,708
Supplies	13,333	1,498	150	14,981	5,609	630	63	6,302
Office expense	3,513	3,513	-	7,026	2,578	2,578	-	5,156
Memberships and subscriptions	6,069	674	-	6,743	8,329	926	-	9,255
Insurance	5,060	569	57	5,686	5,650	635	63	6,348
Postage and shipping	4,425	497	50	4,972	1,877	211	21	2,109
Bank charges	3,100	344	-	3,444	1,098	122	-	1,220
Telephone	2,784	309	-	3,093	1,681	187	-	1,868
Write-off uncollectible receivables	-	668	-	668	-	-	-	-
Rent - Note 8	459	52	5	516	859	97	10	966
TOTAL FUNCTIONAL EXPENSES	\$ 2,558,299	\$ 79,119	\$ 5,609	\$ 2,643,027	\$ 2,275,571	\$ 63,097	\$ 4,983	\$ 2,343,651

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 408,906	\$ 436,335
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cash contributions restricted for beneficial interest in fund held by Community Foundation	(310)	(5,350)
Depreciation and amortization	88,855	74,432
In-kind contributions of food and non-food	1,783,773	1,616,036
Distribution of in-kind food and non-food	(1,805,024)	(1,615,662)
Other changes in value of beneficial interest in fund held by Community Foundation	(679)	(3,411)
Loss on disposition of assets	-	1,380
Write-off of uncollectible receivables	668	-
(Increase) decrease in assets:		
Pledges receivable	152,772	(302,772)
Other receivables	(31,456)	(6,891)
Purchased food inventory	(9,908)	2,040
Prepaid expenses	16,964	(17,336)
Increase (decrease) in liabilities:		
Accounts payable	11,163	3,285
Accrued expenses	(7,332)	5,404
NET CASH PROVIDED BY OPERATING ACTIVITIES	608,392	187,490
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of beneficial interest in fund held by Community Foundation	(310)	(5,350)
Purchase of intangible asset	(5,000)	-
Cash proceeds from the sale of property and equipment	-	600
Purchase of property and equipment	(58,958)	(71,489)
NET CASH USED IN INVESTING ACTIVITIES	(64,268)	(76,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received restricted for beneficial interest in fund held by Community Foundation	310	5,350
NET CASH PROVIDED BY FINANCING ACTIVITIES	310	5,350
NET INCREASE IN CASH AND CASH EQUIVALENTS	544,434	116,601
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	452,852	336,251
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 997,286	\$ 452,852

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, 2020 AND 2019

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 7,000 hours.

CFB serves 6,000 people per month through their food programs. Approximately 16% people served 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
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 donor restriction and reported in the Statement of Activities as net assets released from restriction.

COMMUNITY FOOD BANK OF SAN BENITO COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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% for years ending June 30, 2019 and 2020. 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
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 \$1.62 and \$1.73 per pound for the year ended June 30, 2020 and 2019, respectively. The valuation is based on a cost study conducted by other outside professionals for the Second Harvest National Food Bank.

Intangible Assets

Intangible assets are finite-lived assets that are acquired from a third party and are recorded at cost on their acquisition dates. Intangible assets consist of website redesign costs and will be amortized on a straight-line basis over the economic useful life of the asset of five years starting in fiscal year ending June 30, 2020. Amortization expense for year ending June 30, 2020, was \$83. Accumulated amortization as of June 30, 2020, was \$83.

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.

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

JUNE 30, 2020 AND 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020, are as follows:

	Level 1	Level 2	Level 3
Beneficial interest in fund held by Community Foundation	\$ -	\$ 73,416	\$ -

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	\$ -

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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 \$1,740,837 and \$1,586,707 were received for the years ended June 30, 2020 and 2019, respectively. In addition, CFB received \$42,936 and \$29,329 in miscellaneous non food in-kind contributions for years ended June 30, 2020 and 2019, 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 \$148,040 and \$121,860 for the years ended June 30, 2020 and 2019, respectively. These amounts equated to approximately 7,402 and 6,093 volunteer hours, contributed by approximately 430 and 295 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.

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, 2020 and 2019.

COMMUNITY FOOD BANK OF SAN BENITO COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-Exempt Status (Continued)

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 2019 fiscal year tax returns are subject to examination by Federal taxing authorities and CFB's 2015 through 2019 fiscal year tax returns are subject to examination by California taxing authorities.

New Accounting Pronouncement

During the year ended June 30, 2020, the CFB adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08- *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08).

This standard assists the CFB to:

- Evaluate whether transactions should be accounted for as contributions which are considered non-reciprocal transactions within the scope of Topic 958, Non-for-Profit Entities, or
- As exchange transactions which are considered reciprocal transactions subject to other guidance, and
- Determining whether a contribution is conditional.

The adoption of ASU 2018-08 did not have a material impact on these financial statements.

Reclassifications

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

COMMUNITY FOOD BANK OF SAN BENITO COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019, CFB's uninsured cash balance totaled \$593,023 and \$79,082, respectively. CFB believes there is no significant risk with respect to these deposits.

About 76% and 75% of food donations were contributed from four donors for the years ended June 30, 2020 and 2019, respectively.

Subsequent Events

Subsequent events have been evaluated through December 11, 2020, which is the date the financial statements were available to be issued.

4. PLEDGES RECEIVABLE

Pledges receivable are due as follows at June 30:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 150,000	\$ 160,000
One to five years	-	150,000
Discount to present value	-	<u>(7,228)</u>
Total pledges receivable	<u>\$ 150,000</u>	<u>\$ 302,772</u>

5. OTHER RECEIVABLES

Other receivables consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Government grants receivable	\$ 55,240	\$ 26,035
Other receivables	1,688	295
Contributions receivable	<u>190</u>	<u>-</u>
Total other receivables	<u>\$ 57,118</u>	<u>\$ 26,330</u>

COMMUNITY FOOD BANK OF SAN BENITO COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 38,460	\$ 29,502
Auto and trucks	199,370	199,370
Building and improvements	<u>1,859,854</u>	<u>1,849,854</u>
	2,097,684	2,078,726
Accumulated depreciation	(323,494)	(234,722)
Land	265,326	265,326
Mobile pantry in progress	<u>40,000</u>	<u>-</u>
Total property and equipment	<u>\$ 2,079,516</u>	<u>\$ 2,109,330</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$88,772 and \$74,432, respectively.

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, 2020 and 2019, totaled \$73,416 and \$72,427, respectively.

Administrative expenses charged to the CFB by Community Foundation were \$1,275 and \$1,235 for the years ended June 30, 2020 and 2019, respectively.

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

JUNE 30, 2020 AND 2019

8. OPERATING LEASES

Total rent expense incurred for the years ended June 30, 2020 and 2019, totaled \$516 and \$966, respectively.

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, 2020 and 2019. Total amounts released as of June 30, 2020 and 2019 were \$368,373 and \$245,582, 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, 2020 and 2019.

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

JUNE 30, 2020 AND 2019

11. RESTRICTIONS ON NET ASSETS

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

	2020	2019
CDBG City of Hollister forgivable loan	\$ 859,535	\$ 982,325
Receivable for general operating support in future years	150,000	300,000
Beneficial interest in fund held by Community Foundation	47,385	47,075
Foodbank thrift store sustainability project	3,571	47,679
Backpack program	5,955	-
General operating support restricted for future years	150,000	-
Funds restricted for COVID-19 response	120,962	-
Total	\$ 1,337,408	\$ 1,377,079

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, 2020 and 2019, were as follows:

	2020	2019
Forgivable loan	\$ 122,791	\$ 122,791
Receivable for operating support	150,000	-
Program activities	44,107	50,000
Capital improvement activities	-	9,669
Total	\$ 316,898	\$ 182,460

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the CFB's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 997,286	\$ 452,852
Pledges receivable	150,000	160,000
Other receivables	57,118	26,330
Beneficial interest in assets held by Community Foundation	<u>73,416</u>	<u>72,427</u>
Total financial assets	1,277,820	711,609
Less financial assets unavailable for general expenditure within one year due to the following:		
Beneficial interest in assets held by Community Foundation	<u>73,416</u>	<u>72,427</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 1,204,404</u>	<u>\$ 639,182</u>

The CFB 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***



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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, 2020 and 2019, 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 11, 2020.

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, Kasavan & Pope, LLP
Salinas, California
December 11, 2020