Community Food Bank of San Benito County

(a not-for-profit corporation)

Financial Statements
and
Independent Auditors' Report

For the Year Ended
June 30, 2025

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Community Food Bank of San Benito County, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Community Food Bank of San Benito County as of June 30, 2025, 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Community Food Bank of San Benito 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 opinion.

2024 Financial Statements Restated

As discussed in Note 16, Community Food Bank of San Benito County's financial statements contained errors that resulted in a correction of the beginning of year net assets. In addition, financial statements as of and for the year ended June 30, 2024 contained errors that resulted in corrections to balances related to prepaid expenses, right-of-use asset, lease liability, refundable advance, and temporarily restricted unspent earnings on endowment net assets balances. Our opinion is not modified with respect to these matters.

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 Community Food Bank of San Benito County's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities 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 GAAS 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 the financial statements.

In performing an audit in accordance with GAAS 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 Community Food Bank of San Benito 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 Community Food Bank of San Benito 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 February 26, 2026 on our consideration of 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 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 Community Food Bank of San Benito 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 Community Food Bank of San Benito County's internal control over financial reporting and compliance.

BryMar

Watsonville, California
February 26, 2026

Community Food Bank of San Benito County
Statement of Financial Position

June 30, 2025

ASSETS		
Current assets		
Cash and cash equivalents	$	386,494
Pledges receivable		361,150
Grants receivable		291,275
Inventory		100,515
Investments		1,298,840
Prepaid expenses and other current assets		79,957
Total current assets		2,518,231
Property and equipment, net		2,298,759
Endowment investments		109,554
Pledges receivable, net of current portion		200,000
Intangible asset		-
Deposit		1,000
Right-of-use asset		116,234
Total assets	$	5,243,778
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$	22,974
Accrued expenses		43,470
Current portion of lease liability		16,416
Current portion of refundable advance		122,791
Total current liabilities		205,651
Lease liability, net of current portion		100,667
Refundable advance, net of current portion		122,790
Total liabilities		429,108
Net assets		
Without donor restrictions		4,185,116
With donor restrictions		629,554
Total net assets		4,814,670
Total liabilities and net assets	$	5,243,778

See independent auditors' report and accompanying notes to the financial statements.

Community Food Bank of San Benito County
Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2025

	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT			
Donated food	$ 4,493,925	$ -	$ 4,493,925
Donated goods - thrift shop	62,198	-	62,198
Contributions of other non-financial assets	139,143	-	139,143
Foundation and other institution grants	523,575	520,000	1,043,575
Government grants	716,265	-	716,265
Individual and corporate contributions	358,265	600	358,865
Thrift shop sales, net cost of sales of $62,198	-	-	-
Total revenue and support	6,293,371	520,600	6,813,971
Net asset released from restrictions	-	-	-
Total revenue and support with net asset released from restrictions	6,293,371	520,600	6,813,971
EXPENSES			
Food distribution program	6,187,252	-	6,187,252
General and administrative	277,835	-	277,835
Fundraising	21,550	-	21,550
Total expenses	6,486,637	-	6,486,637
OTHER INCOME (EXPENSES)			
Other income	88,766	-	88,766
Unrealized gain on investments	43,818	7,831	51,649
Interest and dividend income	63,936	2,380	66,316
Investment fees	(10,118)	(1,899)	(12,017)
Loss on disposal of equipment	(793)	-	(793)
Total other income (expenses)	185,609	8,312	193,921
Total change in net assets	(7,657)	528,912	521,255
Net assets, beginning of year, restated	4,192,773	100,642	4,293,415
Net assets, end of year	$ 4,185,116	$ 629,554	$ 4,814,670

Community Food Bank of San Benito County
Statement of Functional Expenses

For the Year Ended June 30, 2025

	Food Distribution Program	General and Administrative	Fundraising	Total
Salaries and wages	$ 660,931	$ 74,262	$ 7,426	$ 742,619
Payroll taxes and benefits	144,050	16,185	1,619	161,854
Food distribution - purchases	468,115	-	-	468,115
Food distribution - donated	4,395,686	-	-	4,395,686
Equipment maintenance	83,325	-	-	83,325
Professional fees	67,262	82,209	-	149,471
Dues and subscriptions	22,013	19,521	-	41,534
Travel. meetings and conferences	771	5,886	350	7,007
Program event expenses	18,568	-	11,871	30,439
Occupancy	18,234	5,208	237	23,679
Utilities	4,161	468	47	4,676
Postage and shipping	7,799	-	-	7,799
Insurance	8,661	962	-	9,623
Internet and communications	10,786	32,360	-	43,146
Office expense	27,176	-	-	27,176
Bank charges	3,064	1,650	-	4,714
Bad debt	-	3,062	-	3,062
Depreciation and amortization	236,904	26,323	-	263,227
Miscellaneous	9,746	9,739	-	19,485
	$ 6,187,252	$ 277,835	$ 21,550	$ 6,486,637

Community Food Bank of San Benito County
Statement of Cash Flows

For the Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 521,255
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	263,227
Loss on disposal of equipment	793
Bad debt expense	3,062
Unrealized gain on investments	(51,649)
Cash contributions restricted for beneficial interest in fund held by Community Foundation	(600)
Nonfinancial asset contributions	(4,695,266)
Nonfinancial asset distributions	4,461,027
Forgiveness of refundable advance	(122,791)
(Increase) decrease in operating assets:	
Pledges receivable	(428,212)
Grants receivable	(168,916)
Prepaid expenses and other current assets	(44,648)
Purchased inventory	122,055
Right-of-use asset	16,561
Increase (decrease) in operating liabilities:	
Accounts payable	(13,375)
Accrued expenses	33,141
Lease liability	4,688
Net cash used in operating activities	(99,648)
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of property and equipment	(19,063)
Acquisition of investments	(54,612)
Net cash used in investing activities	(73,675)
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received restricted for beneficial interest in fund held by Community Foundation	600
Net cash provided by financing activities	600
Net decrease in cash and cash equivalents	(172,723)
Cash and cash equivalents, beginning of year	559,217
Cash and cash equivalents, end of year	$ 386,494
SUPPLEMENTAL CASH FLOW DISCLOSURES	
Donated services	$ 3,143
Donated food	$ 4,493,925
Donated merchandise	$ 62,198
Donated vehicles	$ 136,000
Forgiveness of refundable advance	$ 122,791

See independent auditors' report and accompanying notes to the financial statements.

NOTE 1 - NATURE OF ACTIVITIES

Community Food Bank of San Benito County (the Organization), 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. The Organization'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. The Organization is a 501(c)(3) non-profit organization with eleven full-time paid employees. Volunteer efforts significantly augment the Organization's serving capacity by providing over 15,000 hours.

The Organization serves 14,000 people per month through their food programs. Approximately 14% of the people served are seniors and 23% are children.

The Organization's direct service program is food distribution. Within the direct service program, there are various activities and community offerings:

The Marketplace:

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

Mobile Pantry:

The Organization operates a mobile pantry Monday through Thursday at two sites a day within the City of Hollister. Customers can choose products in a mobile pantry-style marketplace.

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, the Organization 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 Partnerships:

The Organization 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenue and support are recorded when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation

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

- Net assets without donor restrictions consist of net assets that are for use in general operations and are not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions.

- Net assets with donor restrictions represent contributions whose use has imposed restrictions. The 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

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

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

<u>Grants and pledges receivable</u>

All grants and pledges receivable are deemed collectible by management. Based on management's assessment of the grantors and donors having outstanding balances and their past history, they concluded that losses on balances outstanding at year-end are unlikely. Management believes that all receivables will be collected within one year; therefore, no allowance for uncollectible grants and pledges receivable has been recorded as of June 30, 2025. The grants and pledges receivable balance as of July 1, 2024 was $122,359. All balances were collected during the year ended June 30, 2025.

<u>Inventory</u>

Inventory, consisting of food and thrift shop items, is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

Food inventory is comprised of: 1) donated food, 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 $1.90 per pound for the year ended June 30, 2025. The valuation is based on a cost study conducted by other outside professionals for the Second Harvest National Food Bank.

Thrift shop inventory consists of donated household goods and clothing. The fair value of the thrift shop inventory is calculated using the estimated resale value and is used to determine the cost of goods sold. Ending inventory is estimated at one month's average sales for the year.

<u>Fair value of financial instruments</u>

Financial instruments included in the Organization's statement of financial position as of June 30, 2025, include cash and cash equivalents, investments, grants and pledges receivable, accounts payable and accrued expenses. The carrying amounts of these financial instruments represent a reasonable estimate of the corresponding fair values.

<u>Prepaid expenses and other current assets</u>

Prepaid expenses consist of amounts that are paid in advance of when due including insurance and other operating expenses. Prepaid expenses are expected to be realized within one year.

<u>Deposit</u>

The deposit is a security deposit on the building and is expected to be received at the end of the lease.

<u>Intangible asset</u>

The Organization's intangible asset consists of website redesign costs that are 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. As of June 30, 2025, the intangible asset is fully amortized. Amortization expense for year ending June 30, 2025, was $917. Accumulated amortization as of June 30, 2025 was $5,000.

Property and equipment

Property and equipment exceeding $1,000 are recorded at cost if purchased or at fair market value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and building improvements	5-30 years
Furniture, fixtures, and equipment	5-10 years
Vehicles	5-10 years

Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of amounts due for expenses incurred but not paid until the subsequent year as well as the accrual for wages and compensated absences.

Refundable advance

Refundable advance consists of the outstanding balance of a forgivable loan. During the year ended June 30, 2017, the Organization 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 Organization. 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 the Organization.

The agreement has specific restrictions surrounding the acceptable use of the property and the terms of forgiveness depend upon adherence to the agreement. If the Organization does not comply with the requirements, the remaining balance would be due and payable.

The refundable advance is forgiven on a straight-line basis over the 10-year term.

Leases

The Organization elects not to recognize a lease liability or right-of-use asset for leases with a remaining lease term of 12 months or less.

Right-of-use asset

A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are amortized on a straight-line basis over its lease term. Right-of-use assets are subject to evaluation of potential impairment.

<u>Lease liabilities</u>

At the commencement date of the lease, the Organization recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Organization uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is re- measured if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments.

<u>Revenue recognition</u>

The Organization recognizes exchange revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The principles in ASU 2014-09 are applied using the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and(v) recognize revenue when (or as) the Organization satisfies its performance obligation(s).

Exchange revenue - In accordance with ASU 2014-09, the Organization recognizes exchange revenue upon the transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. Management uses judgment in evaluation of the following criteria: 1) the client simultaneously receives and consumes the benefits provided by the performance of the service or transfer of goods; 2) the performance creates or enhances an asset that is under control of the client; 3) the performance does not create an asset with an alternative use to the Organization; 4) the Organization has an enforceable right to payment; and 5) the Organization's primary form of revenue is fixed-price arrangements. Fixed-price arrangements consist of revenues in which the customer agrees to pay a fixed fee over a specified contract term or recurring time. The Organization measures progress toward satisfaction of the performance obligation as the fixed-price arrangement services are provided. Payments received in advance of the Organization satisfying its performance obligation are recorded within deferred revenues in the accompanying statement of financial position. The Organization's exchange revenue is from thrift shop sales. The performance obligation occurs at point of sale in which customers pay for goods by cash or credit card. The Organization does not accept returns of thrift store sales.

Grants and contribution revenue - The Organization records grants and contributions, including unconditional promises to give as revenue at their fair value in the period the grant, contribution or pledge is received. Conditional promises to give, that is, those with a measurable performance barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. On June 30, 2025, the Organization had no conditional grants or contributions. The Organization reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions of non-financial assets

The Organization records non-financial support including contributed assets and professional services. Contributed professional services are recognized if the services received (a) create or enhance a non-financial asset or (b) require specialized skills, provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized as non-financial asset donations at their fair market value. Contribution of food is recognized at price per pound provided by Feeding America. The amounts reflected in the accompanying financial statements as non-financial contributions are offset by like amounts included in expense.

Functional allocation of expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses applicable to more than one program are allocated based on usage and management's estimates.

Tax exemption status

The Organization is exempt from Federal and State income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701d of the California Revenue and Taxation Code, respectively. The Organization has no unrelated business income for the year ended June 30, 2025. Accordingly, no provision is made for income taxes in these financial statements.

GAAP requires an organization to recognize the tax benefit or liability associated with a tax position taken for the tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and accordingly, they will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2025, there were no tax related interest or penalties recorded or included in the financial statements. The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California.

NOTE 3 - INVENTORY

Inventories consist of the following at June 30, 2025:

	2025
Food inventory	$ 85,780
Thrift store inventory	14,735
	$ 100,515

NOTE 4 - INVESTMENTS

The Organization reports investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs.

The basis for the carrying value of investments is from information provided by broker managed accounts. Fair value measurements of investment instruments are based on open actively traded securities markets as reported by investment account broker statements.

The three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.

- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3: Unobservable inputs that are supported by little to no market activity and that are significant to the fair value of the assets or liabilities.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. In certain cases, where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The Organization invests in money market funds, a certificate of deposit, mutual funds, and exchange traded funds with a brokerage firm. The investments are recognized at fair market value as of June 30, 2025:

	2025	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Money market funds	$ 44	$ 44	$ -	$ -
Certificate of deposit	74,934	-	74,934	-
Mutual funds	1,059,171	1,059,171	-	-
Exchange traded funds	164,691	164,691	-	-
Total investments	$ 1,298,840	$ 1,223,906	$ 74,934	$ -

NOTE 5 - ENDOWMENT INVESTMENT

Community Food Bank of San Benito County's endowment consists of one fund established to build a permanent endowment that will grow and support the Organization's mission. The endowment includes donor-restricted funds. On January 18, 2005, the Organization contributed $10,000 to the Community Foundation for San Benito County (Community Foundation) to establish an endowment fund. The Organization named itself as the beneficiary of the fund. The Community Foundation matched the original $10,000 contribution when the endowment fund was opened. Since creation, the Organization continues to receive additional contributions to be added to the endowment fund. As of the year ended June 30, 2025, the Organization received $600 to be contributed to the endowment fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization specified that the Community Foundation is to distribute the earnings to the Organization 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.

The Board of Directors of Community Food Bank of San Benito County has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Community Food Bank of San Benito County classifies as net assets with donor restriction (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The portion of the donor-restricted endowment that is not classified as a perpetual endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Community Food Bank of San Benito County in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Community Food Bank of San Benito County considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Community Food Bank of San Benito County, and (7) Community Food Bank of San Benito County's investment policies.

Net asset composition of the endowment at June 30, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted fund	$ -	$ 55,927	$ 55,927
Accumulated investment gains	-	53,627	53,627
Total endowment investment	$ -	$ 109,554	$ 109,554

Investment Return Objectives, Risk Parameters and Strategies. Endowment funds are invested in accordance with the investment policy approved by the Board of Directors. The funds are invested to ensure current income and long-term growth of the fund, and to safeguard its principal. The investments shall be conservative and diversified, conform to socially responsible investments, and with minimal overhead. The majority of the funds are invested in indexed mutual funds that are shown in investments on the statement of financial position.

Spending Policy. It is Community Food Bank of San Benito County's policy to only use the income from its endowment funds for distribution. With the exception to the note above, this policy is consistent with Community Food Bank of San Benito County's objective of maintaining endowment funds for future use.

The changes in endowment net assets for the year ended June 30, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2024	$ -	$ 100,642	$ 100,642
Investment return:			
Interest and dividend income	-	2,380	2,380
Net realized and unrealized gain	-	7,831	7,831
Investment fees	-	(1,899)	(1,899)
Contributions to endowment fund	-	600	600
Endowment net assets, June 30, 2025	$ -	$ 109,554	$ 109,554

NOTE 6 - PROPERTY AND EQUIPMENT

At June 30, 2025, the value of the property and equipment and related accumulated depreciation is as follows:

Land	$	265,326
Building and building improvements		1,858,399
Furniture, fixtures and equipment		759,656
Vehicles		666,776
Less: accumulated depreciation		(1,251,398)
Total property and equipment, net	$	2,298,759

Depreciation expense for the year ended June 30, 2025 was $262,310.

NOTE 7 - INTANGIBLE ASSET

At June 30, 2025, the value of the intangible asset and related accumulated amortization is as follows:

Website redesign	$	5,000
Less: accumulated amortization		(5,000)
Total intangible asset, net	$	-

Amortization expense for the year ended June 30, 2025 was $917.

NOTE 8 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

During the year ended June 30, 2025, the Organization recognized within the statement of activities and changes in net assets non-financial contributions and distributions including the following:

		Contributions		Distributions
Food	$	4,493,925	$	4,395,686
Merchandise		62,198		62,198
Vehicles		136,000		-
Professional services		3,143		3,143
	$	4,695,266	$	4,461,027

<u>Food</u>

Donated food from government and non-government sources was utilized in the food distribution program. Donated food was valued based on a cost study conducted for Feeding America. Donated food is valued at Feeding America's average value of $1.90 per pound for the year ended June 30, 2025. The valuation is based on a cost study conducted by other outside professionals for the Second Harvest National Food Bank.

Merchandise

The Organization operates a thrift shop and receives donations of various goods for sale in the thrift shop. The fair market value is determined based on resale value of actual sales during the year ending June 30, 2025. Proceeds from thrift shop sales support the Organization's overall mission.

Vehicles

In 2025, the Organization received notice as the recipient of two donated vans for use in the food distribution program. The fair market value was determined based on the MSRP value from the manufacturer. As of June 30, 2025, the vans are undergoing final production and not yet delivered to the Organization. The Organization has recognized a receivable for the vans on the statement of financial position.

Professional services

The contributed services recognized are discounted managed services provided to the Organization for security and information technology. The discount is specific to the Organization as a non-profit discount. The services provided support the administrative function of the Organization.

None of the contributions included donor-imposed restrictions.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the year ended June 30, 2025 consisted of the following purposes:

	2024	Additions	Releases	2025
Beneficial interest in fund held by Community Foundation	$ 55,327	$ 600	$ -	$ 55,927
Unspent endowment earnings	45,315	8,312	-	53,627
Mobile pantry	-	120,000	-	120,000
Time restricted	-	400,000	-	400,000
	$ 100,642	$ 528,912	$ -	$ 629,554

NOTE 10 - LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The Organization considers investment income without donor restrictions, appropriated earnings from the donor-restricted endowment and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The Organization invests in a certificate of deposit with an initial maturity of nine months and held at fair value. Interest income is accrued when earned. The certificate of deposit held as of June 30, 2025 matures in December 2025 and has an interest rate of 4.20%.

The following table reflects the Organization's financial assets as of June 30, 2025:

Cash and cash equivalents	$ 386,494
Investments	1,298,840
Pledges receivable	361,150
Grants receivable	291,275
Less: restricted cash	-
	$ 2,337,759

NOTE 11 - REFUNDABLE ADVANCE

At June 30, 2025, the refundable advance consisted of the following:

In the 2017 fiscal year, the Organization received a 10-year, interest-free loan from the Community Development Block Grant (CDBG) program to support a construction project. The loan is structured to be forgivable upon maturity and is amortized over its term. Forgivable loans with guaranteed forgiveness are treated similarly to contributions under applicable accounting standards, therefore, no interest has been accrued.	$ 245,581

Future forgiveness for the years ended June 30 is as follows:

2026	$ 122,791
2027	122,790
	$ 245,581

NOTE 12 - LEASE

The Organization entered into a lease agreement for office space. The term of the lease is five years, commencing July 1, 2024 and ending June 30, 2029 with a renewal period of two years, ending June 30, 2031, with a discount rate of 4.45%.

Below is the carrying amount of the right-of-use asset recognized and the movements during the period:

July 1, 2024	$ 132,795
Amortization	(16,561)
June 30, 2024	$ 116,234

Below is the carrying amount of the lease liability and the movements during the period:

July 1	$ 112,812
Additions	-
Payments	-
Interest	4,271
June 30	117,083
Less: current portion	(16,416)
Non-current	$ 100,667

The table below reconciles the fixed components of the undiscounted cash flows for each of the next five years and the total remaining years to the lease liability recorded on the statement of financial position as of June 30, 2025. Amounts due for the 12 months ended June 30 are as follows:

2026	$ 20,808
2027	21,224
2028	21,649
2029	22,082
2030	22,523
Thereafter	22,586
Total lease payments	130,872
Less: interest	(13,789)
Present value of lease liability	$ 117,083

The remaining lease term and the discount rate of the operating lease as of June 30, 2025, are as follows:

Remaining lease term - operating lease	6.0 years
Discount rate - operating lease	4.45%

NOTE 13 - RETIREMENT PLAN

The Organization 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 Organization, rather allows employees a vehicle to defer payroll amounts to self-directed accounts. The Organization incurred no expenses related to the 403(b) plan during the year ended June 30, 2025.

NOTE 14 - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates many expenses based on direct identification and usage-based allocation. Salaries and related personnel expenses are allocated by direct identification for program staff and using time studies for staff that participate in multiple functions. The remaining expenses are allocated based on usage-based allocation by tracking each expense purpose.

NOTE 15 - CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, investments and receivables. The Organization maintains cash with a commercial bank. At times, cash balances may be in excess of the Federal Deposit Insurance (FDIC) limit of $250,000. As of June 30, 2025, the Organization had $130,984 of cash in excess of federally insured limits.

The Organization maintains its investment portfolio with a brokerage firm. While securities are generally protected by the Securities Investor Protection Corporation (SIPC) up to $500,000, these protections do not safeguard against market value declines. As of June 30, 2025, the Organization held investments of $798,840 of investments in excess of protected limits.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from local donors and governments.

For the year ended June 30, 2025, there was one donor who contributed over 10 percent of revenue. For the year ended June 30, 2025, there were four donors who had more than 10 percent of outstanding receivables.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

In 2025, the U.S. federal government proposed significant budget cuts aimed at reducing federal spending, resulting in uncertain economic conditions. These cuts primarily target mandatory spending programs that many not-for-profit organizations benefit from. The potential impacts of these budget cuts on the Organization include, but are not limited to, reduction in federal grants and contracts, increased demand for services, and operational adjustments. Management is actively monitoring the situation and evaluating potential strategies to address these uncertainties. However, the ultimate impact of the federal budget cuts on the Organization's financial position and operations cannot be fully determined at this time.

NOTE 17 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2025, management reviewed and adjusted the prepaid expenses, right-of-use asset, lease liability, refundable advance, and temporarily restricted unspent earnings on endowment net assets balances of the prior year. As a result, the Organization has restated the net assets for the year ended June 30, 2024 to reflect the correct net assets balance for the year. Adjustments related to net assets are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2024	$ 4,238,088	$ 423,699	$ 4,661,787
Less: overstatement of net assets	(45,315)	(323,057)	(368,372)
Net assets, June 30, 2024 as restated	$ 4,192,773	$ 100,642	$ 4,293,415

The following illustrates the adjustment in the statement of financial position as of June 30, 2024:

	Previously Reported	Adjustment	Restated
Prepaid expenses and other current assets	$ 56,709	$ (20,400)	$ 36,309
Right-of-use asset	-	132,795	132,795
Total assets	$ 4,708,465	$ 112,395	$ 4,820,860
Current portion of lease liability	$ -	$ -	$ -
Current portion of refundable advance	-	122,791	122,791
Lease liability, net of current portion	-	112,395	112,395
Refundable advance, net of current portion	-	245,581	245,581
Total liabilities	$ 46,678	$ 480,767	$ 527,445
Total net assets	$ 4,661,787	$ (368,372)	$ 4,293,415

The following illustrates the adjustment in the statement of activities and changes in net assets for the year ended June 30, 2024:

	Without Donor Restrictions		
	Previously Reported	Adjustment	Restated
Government grants	$ 810,244	$ 122,791	$ 933,035
Total revenue and support	$ 7,149,222	$ 122,791	$ 7,272,013

The following illustrates the adjustment in the statement of cash flows for the year ended June 30, 2024:

	Previously Reported	Adjustment	Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Changes in net assets	$ (265,503)	$ 122,791	$ (142,712)
Prepaid expenses and other current assets	(10,867)	20,400	9,533
Right-of-use asset	-	(132,795)	(132,795)
Lease liability	-	112,395	112,395
Net cash provided by operating activities	$ 239,113	$ 122,791	$ 361,904

NOTE 18 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

Management evaluates events occurring subsequent to June 30, 2025 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

No subsequent events require disclosure or recognition.

Supplementary Information

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*

Independent Auditors' Report

To the Board of Directors
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, a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Food Bank of San Benito County's internal control over financial reporting (internal control) as a basis for designing 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 Community Food Bank of San Benito County's internal control. Accordingly, we do not express an opinion on the effectiveness of Community Food Bank of San Benito County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Food Bank of San Benito County'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 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.*

Community Food Bank of San Benito County's Response to Findings

Government Auditing Standards requires the auditor to perform certain limited procedures on the Community Food Bank of San Benito County's response to the findings identified in our audit as described in the accompanying schedule of findings and questioned costs. Community Food Bank of San Benito County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Community Food Bank of San Benito County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Food Bank of San Benito County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BryMar

Watsonville, California
February 26, 2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Food Bank of San Benito 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 Community Food Bank of San Benito County's major federal programs for the year ended June 30, 2025. Community Food Bank of San Benito County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Community Food Bank of San Benito County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Community Food Bank of San Benito 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 Community Food Bank of San Benito County's compliance with the compliance requirements referred to above.

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 Community Food Bank of San Benito County's federal programs.

Auditors' Responsibilities 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 Community Food Bank of San Benito 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a 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 Community Food Bank of San Benito County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and 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 Community Food Bank of San Benito 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 Community Food Bank of San Benito 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 Community Food Bank of San Benito County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, 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.

BryMar

Watsonville, California
February 26, 2026

Community Food Bank of San Benito County
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	
U.S. Department of Agriculture (USDA)				
Passed through California, Department of Social Services				
Food Distribution Cluster				
Emergency Food Assistance Program (Administrative Costs)	10.568	**	$ 139,482	
Emergency Food Assistance Program (Food Commodities)	10.569	**	560,169	
Total Food Distribution Cluster			699,651	*
Passed through California Association of Food Banks				
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes and Local Governments (LFPA)	10.182	**	414,576	
Total U.S. Department of Agriculture (USDA)			1,114,227	
Total Expenditures of Federal Awards			$ 1,114,227	

*Tested as a major program
**Information not available

Note 1: Basis of Presentation
The above schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2: Summary of Significant Accounting Policies
Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate
Community Food Bank of San Benito County did not elect to use the 10% de minimus cost rate.

Community Food Bank of San Benito County
Summary of Auditors' Results

For the Year Ended June 30, 2025

<u>Section 1 – Summary of Auditors' Results</u>

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
· Material weaknesses identified?	Yes
· Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs	
· Material weaknesses identified?	No
· Significant deficiencies identified?	None reported
Types of auditors' report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) ?	No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster		
10.568 & 10.569	Food Distribution Cluster	$	699,651

Dollar threshold used to distinguish between type A and type B programs	$	750,000
Auditee qualified as low-risk auditee?		Yes

Section II – Financial Statement Findings

Finding 2025-001: Internal Control over Financial Statements
Material Weakness

Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Condition and Context: During our audit we identified material errors in the financial statements, including errors in previously issued financial statements requiring a restatement of those financial statements.

Cause: There were no process or internal control activities designed and implemented to ensure financial statements were in accordance with GAAP as it relates to (1) property and equipment (2) right-of-use assets and lease liabilities (3) accrued expenses (4) refundable advance (5) net assets with donor restrictions.

Effect or Potential Effect: Material audit adjustments were necessary to present the financial statements in accordance with GAAP.

Recommendation: We recommend management design and implement a comprehensive processes and internal controls to ensure all financial reporting complies with GAAP, specifically addressing property and equipment capitalization and depreciation; right-of-use asset and lease liability recognition under ASC 842, *Leases;* payroll and other accruals; proper classification of refundable advances; and proper classification of net assets with donor restrictions.

Responsible Official's Response: Management acknowledges the material weakness identified and concurs with the audit finding. During fiscal year 2026, management will design and implement formalized financial reporting processes and internal controls to ensure compliance with GAAP, including controls over property and equipment, leases under ASC 842, accruals, refundable advances, and net assets with donor restrictions. Management is committed to strengthening oversight and review procedures to prevent future misstatements and to ensure timely, accurate financial reporting.

Section III – Federal Awards Findings and Questioned Costs

None reported.

Section IV – Summary Schedule of Prior Audit Findings

None reported.

Corrective Action Plan
For the Year Ended June 30, 2025

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2025-001	CFB Management will design and implement processes and internal controls to comply with GAAP. Specifically addressing: 1. Property & Equipment Capitalization and Depreciation 2. Right of Use Asset and Lease Liability recognition under ASC 842, Leases 3. Payroll & other accruals 4. Proper classification of refundable advances 5. Proper classification of net assets with donor restrictions	June 30, 2026	Director of Administration