

**FEEDING SAN DIEGO**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
**WITH INDEPENDENT AUDITORS' REPORT**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Feeding San Diego  
San Diego, California

We have audited the accompanying financial statements of Feeding San Diego (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors consider internal control relevant to the Organization'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 Organization'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 Feeding San Diego as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2021, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Irvine, California  
August 23, 2021

**FEEDING SAN DIEGO**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 8,623,597
Accounts receivable, net	1,652,581
Pledges receivable	306,023
Inventory	2,061,686
Prepaid expenses and other current assets	151,606
Total Current Assets	<u>12,795,493</u>
Property and Equipment, at Net Book Value	1,734,393
Other Assets - Deposits	<u>85,166</u>
Total Assets	<u><u>\$ 14,615,052</u></u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 1,232,624
Accrued expenses	345,679
Paycheck Protection Program note payable	648,500
Total Current Liabilities	<u>2,226,803</u>
Long-Term Liability - Deferred Rent	<u>20,070</u>
Total Liabilities	2,246,873
Net Assets:	
Without donor restrictions	12,262,268
With donor restrictions	105,911
Total Net Assets	<u>12,368,179</u>
Total Liabilities and Net Assets	<u><u>\$ 14,615,052</u></u>

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

**FEEDING SAN DIEGO**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Community Support:			
Rescued and donated food	\$ 46,635,000	\$ -	\$ 46,635,000
Grants and awards	8,863,677	-	8,863,677
Federal awards	1,210,464	-	1,210,464
Contributions	10,510,501	-	10,510,501
Total Community Support	67,219,642	-	67,219,642
Shared Maintenance Fees	130,216	-	130,216
Other Income	6,264	-	6,264
Net Assets Released from Restrictions	734,800	(734,800)	-
Total Support and Revenue	68,090,922	(734,800)	67,356,122
Expenses:			
Program:			
Program expenses	54,871,229	-	54,871,229
Total Program	54,871,229	-	54,871,229
Support:			
General and administrative	1,329,572	-	1,329,572
Development	2,436,682	-	2,436,682
Total Support	3,766,254	-	3,766,254
Total Expenses	58,637,483	-	58,637,483
Change in Net Assets	9,453,439	(734,800)	8,718,639
Total Net Assets, Beginning of Year	2,808,829	840,711	3,649,540
Total Net Assets, End of Year	\$ 12,262,268	\$ 105,911	\$ 12,368,179

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

**FEEDING SAN DIEGO**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 8,718,639
Noncash Items Included in Change in Net Assets:	
Depreciation	259,596
Loss on disposal of property and equipment	15,488
Inventory - rescued and donated food	(68,869)
Changes in:	
Accounts receivable	(1,507,062)
Pledges receivable	3,246,026
Inventory	(1,188,484)
Prepaid expenses and other current assets	42,787
Deposits	(24,496)
Deferred revenue	(3,000,000)
Accounts payable	993,519
Accrued expenses	51,972
Deferred rent	(42,380)
Net Cash Provided by Operating Activities	<u>7,496,736</u>
Cash Flows from Investing Activities:	
Proceeds from the sale of property and equipment	3,500
Purchase of property and equipment	<u>(1,453,379)</u>
Net Cash Used by Investing Activities	<u>(1,449,879)</u>
Cash Flows from Financing Activities:	
Proceeds on Paycheck Protection Program note payable	<u>648,500</u>
Net Cash Provided by Financing Activities	<u>648,500</u>
Net Increase in Cash	6,695,357
Cash, Beginning of Year	<u>1,928,240</u>
Cash, End of Year	<u><u>\$ 8,623,597</u></u>

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

**FEEDING SAN DIEGO**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	Program Expenses	General and Administrative	Development	Total Expenses
Reccued and donated food	\$ 46,612,649	\$ -	\$ -	\$ 46,612,649
Salaries	1,877,824	520,987	986,864	3,385,675
Food procurement	3,714,628	-	-	3,714,628
Rent and common area maintenance charges	580,016	21,997	10,723	612,736
Programs - grants and support	463,096	-	-	463,096
Transportation and freight	472,866	-	-	472,866
Employee benefits	257,751	63,632	110,770	432,153
Equipment	101,774	836	531	103,141
Public relations and marketing	-	-	785,970	785,970
Miscellaneous expenses	52,351	35,739	4,064	92,154
Fundraising expenses	-	-	309,448	309,448
Depreciation	-	259,596	-	259,596
Utilities	218,969	18,595	4,048	241,612
Outside services	113,524	158,908	59,241	331,673
Dues and subscriptions	23,243	41,608	4,644	69,495
Postage and printing	4,418	2,282	31,735	38,435
Vehicle expenses	102,234	-	-	102,234
Repairs and maintenance	50,452	-	-	50,452
Travel	23,389	10,291	7,153	40,833
Special events	-	-	86,468	86,468
Insurance	56,538	1,264	621	58,423
Supplies	96,823	3,359	444	100,626
Computer expenses	38,538	2,624	32,027	73,189
Bank fees and service charges	894	142,608	-	143,502
Employee events	-	4,147	-	4,147
Professional services	-	37,436	-	37,436
Training and education	9,252	1,955	1,931	13,138
Bad debt expenses	-	1,708	-	1,708
<b>Total Functional Expenses</b>	<b>\$ 54,871,229</b>	<b>\$ 1,329,572</b>	<b>\$ 2,436,682</b>	<b>\$ 58,637,483</b>
	94.44%	2.27%	4.16%	100.00%

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



**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

**Nature of Operations**

Established in 2007, Feeding San Diego (Feeding San Diego or the Organization) is a nonprofit organization funded by philanthropic and community support and dedicated to connecting every person facing hunger with nutritious meals by maximizing food rescue. Operating as an independent nonprofit, Feeding San Diego is a member of Feeding America, the largest domestic hunger-relief organization in the United States.

**Program Services**

Feeding San Diego serves people facing hunger through multiple programs, each focusing on a distinct population, to support an overarching vision of a hunger-free and healthy San Diego.

Feeding Families Initiative: Feeding San Diego provides healthy meals to families across the county through direct-to-client distributions and partner agencies who operate their own soup kitchens, food pantries, and hunger-relief programs.

Feeding Kids Initiative: Feeding San Diego serves children, youth, and their families facing hunger through a variety of distributions at their schools, afterschool activities, and summer programs.

Feeding Heroes Initiative: Feeding San Diego provides nutritious food to active-duty military and veteran households facing hunger through community partner distributions and direct-to-client programs.

Feeding Seniors Initiative: Feeding San Diego serves seniors through distributions at direct service sites, senior-housing complexes, partner agencies, and a meal-delivery partnership with Meals on Wheels.

In addition to direct service and community partnerships, Feeding San Diego operates a variety of outreach programs to help vulnerable people facing hunger to access food assistance and public benefits.

**Basis of Accounting and Presentation**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to the ASC hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Accordingly, the accounts of the Organization are reported in the following net asset categories:

*Net Assets without Donor Restrictions* - Net assets of the Organization that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting and Presentation (continued)**

*Net Assets with Donor Restrictions* - Net assets of the Organization that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, cash includes petty cash funds, bank checking accounts used for operating purposes, and investments with maturities of three months or less from the original purchase dates.

**Accounts Receivable**

Accounts receivable represent amounts due from affiliated agencies and are stated at the amount that the Organization expects to collect for partner agency income and federally funded programs administered by states. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Organization determines that payments will not be received. Any subsequent receipts are credited to the allowance. There was no allowance for doubtful accounts at June 30, 2020. Bad debt expense for the year ended June 30, 2020, amounted to \$1,708.

**Pledges Receivable**

Pledges are unconditional promises to give toward the Organization's programs and are recorded as revenue when the pledge is received. At June 30, 2020, the Organization has pledges receivable of \$306,023 and are considered to be fully collectible. Accordingly, there were no allowances for doubtful pledges.

**Inventory**

Inventory consists of rescued and donated, nongovernment food and grocery items, purchased food, and emergency food boxes stored in the event of a disaster. Rescued and donated food for the year ended June 30, 2020, is valued at \$1.74 per pound, based on an annual cost study conducted for Feeding America's national office. Purchased food is valued at its historical cost.

**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Property and Equipment**

Property and equipment are recorded at cost or estimated fair value if the items are donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from three to six years for vehicles, office furniture, and equipment, and the lesser of the lease term or the estimated useful life for cold storage and leasehold improvements. Equipment purchases over \$1,000 are capitalized. Depreciation is recorded as a decrease in net assets without donor restrictions, and the expense is charged to the activity benefiting from the use of the facilities or equipment. Depreciation expense for the year ended June 30, 2020, amounted to \$259,596.

**Long-Lived Assets and Asset Impairment**

The Organization accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. At June 30, 2020, no impairment losses have been recorded.

**Accrued Paid Time Off**

Accrued paid time off represents time earned but not taken as of June 30. The maximum paid time off that can be accrued and carried over to the next year is 160 hours. The accrued paid time off balance as of June 30, 2020, is \$156,455 and has been included in accrued expenses in the accompanying statement of financial position.

**Deferred Rent**

Rent expense is recognized in compliance with FASB ASC 840-10, *Accounting for Leases*, whereby the expense is accrued ratably over the life of the subject lease with the intent to even out the effect of rent holidays and scheduled rent increases. At June 30, 2020, the Organization's total deferred rent liabilities are \$20,070 and included within deferred rent in the accompanying statement of financial position.

**Revenue Recognition**

Amounts received from grants and contracts are not reported as revenue until the resources are expended for the purpose specified or until a stipulated time restriction ends.

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at June 30, 2020.

**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition (continued)**

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

In-Kind Contributions - As stated above, rescued and donated food for the year ended June 30, 2020, is valued at \$1.74 per pound, based on an annual cost study conducted for Feeding America's national office. Donated equipment and other goods are recorded at their estimated fair market value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements, the estimated value of these services is disclosed in Note 8.

Shared Maintenance Fees - The Organization receives fees from participating agencies to assist in the costs of distributing food. These fees are based on predetermined rates from \$-0- to \$0.19 per pound or an average of \$0.014 per pound. Total shared maintenance fees for the year ended June 30, 2020, were \$130,216.

**Functional Allocation of Expenses**

The costs of providing the programs and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Certain categories of expenses that are attributable to more than one function of the Organization require allocation on a reasonable basis that is consistently applied. Expenses are allocated in the following ways. Labor expenses are allocated on a pro rata share of work done whether it is for programs, general and administrative, or development departments.

Costs related to the collection of rescued or donated food through the distribution center are allocated by poundage under programs. Occupancy expenses are allocated on a pro rata share of square footage of the building depending on each functional area.

**Fundraising Costs**

For the year ended June 30, 2020, the Organization conducted fundraising activities that included appeals for contributions and incurred costs of \$395,916. For the year ended June 30, 2020, these activities included costs from direct mail campaigns totaling \$309,448 and special event costs totaling \$86,468.

**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**Public Relations and Marketing Costs**

Public relations and marketing costs are charged to operations when incurred. Public relations and marketing costs charged to operations for the year ended June 30, 2020, totaled \$785,970.

**Special Events**

To increase the financial viability and impact of the Organization now and in the future, a private donor underwrote the majority of the costs of hosting a large-scale fundraising gala during the year ended June 30, 2020. A large expense such as this would not have been possible without the generosity of this donor, thereby enabling the Organization to increase awareness of hunger relief in new philanthropic communities through the education of 300 guests.

**Income Taxes**

The Organization is recognized as tax exempt under Section 501(c)(3) of the Internal Revenue Code and the corresponding state code and is classified as an organization other than a private foundation. Accordingly, there is no provision for income taxes in the accompanying financial statements.

The Organization recognizes the tax benefit associated with tax taken for tax return purposes when it is more likely than not that the position will be sustained. The Organization does not believe that there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties.

**Recent Accounting Pronouncement – Adopted**

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities - Revenue Recognition (Topic 958-605)*. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2020. There was not a material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)**

**New Accounting Pronouncement – Net Yet Adopted**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Organization anticipates recognizing a right-of-use asset and a lease liability on the statements of financial position for the discounted value of future lease payments from the adoption of ASU 2016-02. The Organization is currently evaluating the full impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

**Note 2: Liquidity**

The Organization's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of June 30, 2020:

Cash	\$ 8,623,597
Less: Organization reserve	<u>(1,923,410)</u>
Cash available to meet general expenditures	6,700,187
Accounts receivable	1,652,581
Pledges receivable	<u>306,023</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 8,658,791</u>

Cash as stated above has been reduced by \$1,923,410 from amounts reported in the accompany statement of net position at June 30, 2020, based on the Organization's reserve policy that states a reserve must be maintained equal to the target minimum Operating Reserve Fund, which is three months of average operating costs, as estimated by management.

**Note 3: Inventory**

Inventory consists of the following at June 30, 2020:

Rescued and donated food	\$ 701,058
Purchased commodities	1,287,200
Donated produce inventory	<u>73,428</u>
Total Inventory	<u>\$ 2,061,686</u>

**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 4: Donations**

The Organization receives or rescues substantial donations of food (which includes personal hygiene items and other staples), equipment, and volunteer services. Contributions of food and equipment are recorded at their estimated fair values in the period received. Food distribution activity during the year ended June 30, 2020, was as follows (in pounds) (unaudited):

	<u>Contributed (lbs.)</u>	<u>Purchased (lbs.)</u>	<u>Total (lbs.)</u>
Food Held for Distribution,			
Beginning of Year	435,566	150,899	586,465
Food received	29,475,295	3,420,749	32,896,044
Food distributed and unusable product	<u>(28,702,531)</u>	<u>(2,210,102)</u>	<u>(30,912,633)</u>
Food Held for Distribution,			
End of Year	<u>1,208,330</u>	<u>1,361,546</u>	<u>2,569,876</u>

**Note 5: Property and Equipment**

At June 30, 2020, property and equipment consist of the following:

Machinery, equipment, and vehicles	\$ 1,478,426
Cold storage and leasehold improvements	1,096,469
Furniture and fixtures	138,306
Computer equipment	<u>298,118</u>
Total Property and Equipment, at Cost	3,011,320
Less: Accumulated depreciation	<u>(1,276,927)</u>
Property and Equipment, at Net Book Value	<u>\$ 1,734,393</u>

**Note 6: Employee Benefit Plan**

The Organization has a qualified defined benefit contributory 401(k) plan, whereby eligible employees may contribute a percentage of compensation and the Organization contributes a discretionary match. For the year ended June 30, 2020, employer contributions were \$79,255. 401(k) Plan administrative expenses for the year ended June 30, 2020, were approximately \$5,700.

**Note 7: Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of future expenditures for various programs, initiatives, and asset purchases. Net assets with donor restrictions as of June 30, 2020, consist of the following:

California Department of Social Services - equipment	\$ 101,490
Feeding America - campaign	<u>4,421</u>
Total Net Assets with Donor Restrictions	<u>\$ 105,911</u>

**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 8: Contributed Services**

Substantial volunteer time does not meet the criteria for FASB ASC 958-605 and accordingly has not been reflected in the accompanying financial statements. However, the tasks performed by these volunteers are central to the Organization's operations. They mainly include the inspection, handling, and assembly of food donations across all of the Organization's feeding initiatives. The unaudited estimated value of such volunteer time for the year ended June 30, 2020, was calculated using the California minimum wage, which amounted to approximately \$547,000.

**Note 9: Conflict of Interest**

Included among the Organization's Board of Directors are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization has adopted a conflict of interest policy whereby board members are disqualified from participation in a final decision regarding any action that might affect their related company or organization.

**Note 10: Risks and Uncertainties**

The Organization received 26% of its monetary support via one contributor for the year ended June 30, 2020.

The Organization maintains cash balances at one financial institution. At June 30, 2020, accounts at this institution are insured by the Federal Deposit Insurance Corporation for up to \$250,000. The Organization's cash balances at this institution in excess of federally insured limits at June 30, 2020, totaled approximately \$9,390,000.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of an outbreak of a new strain of coronavirus (COVID-19). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase of the virus and its global exposure. In addition, several U.S. states, including California where the Organization is headquartered, have declared a state of emergency.

The Organization is substantially supported by contributions, grants, and government contracts. At this time, the Organization cannot anticipate all the ways in which a health pandemic such as COVID-19 can adversely impact it. Although management is continuing to monitor and assess the effects of the COVID-19 pandemic on the Organization, the ultimate impact of the COVID 19 outbreak or a similar health epidemic is highly uncertain and subject to change.



**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 11: Line of Credit**

The Organization has available a revolving line of credit for up to \$500,000. There were no balances outstanding at June 30, 2020. The interest rate is 1.0% above the prime rate. The line of credit is secured by substantially all the Organization's assets. The line of credit expired July 2020.

**Note 12: Related Party Transactions**

During the year ended June 30, 2020, the Organization received approximately \$166,000 in giving from a member of the board of directors. Also, a member of the board of directors is also a member of the board of directors of a certain donor. This donor provided approximately \$5,007,000 of contributions during the year ended June 30, 2020.

**Note 13: Paycheck Protection Program (PPP) Loan**

On April 16, 2020, the Organization received a loan from a bank in the amount of \$648,500 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

Subsequent to year-end, the Organization has received notification from the SBA on February 1, 2021, that the Organization has been granted forgiveness of the full amount of the loan and all corresponding interest totaling \$653,297. The SBA has the right to and may review/audit funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any subsequent review/audit will not have a material adverse impact on the Organization's financial position.

**FEEDING SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 14: Commitments and Contingencies**

**Operating Leases**

The Organization leases warehouse and office space and office equipment expiring through April 2027. Total rent expense, including common area maintenance charges, related to such operating leases for the year ended June 30, 2020, amounted to \$612,736. Future aggregate minimum annual rental payments under these noncancelable leases as of June 30 are as follows:

2021	\$662,086
2022	677,316
2023	686,474
2024	706,639
2025	727,838
Thereafter	<u>1,261,888</u>
Total Future Minimum Lease Payments	<u>\$4,722,241</u>

**Note 15: Subsequent Events**

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of August 23, 2021, which is the date the financial statements were available to be issued.

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