

***FEEDING AMERICA SAN DIEGO***  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**  
**WITH INDEPENDENT AUDITORS' REPORT**

**FEEDING AMERICA SAN DIEGO  
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JUNE 30, 2015 AND 2014**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Feeding America San Diego  
San Diego, California

We have audited the accompanying financial statements of Feeding America San Diego (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 America San Diego as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 2 to the financial statements, in June 2015, the Organization received a pledge from one donor in the amount of \$15,000,000, in which the donor will pay \$3,000,000 per year, for a period of five years, starting in July 2015. The pledge is contingent on various organizational goals and factors that must be measured and met, many of which are possible, but not certain. Accordingly, the Organization has recorded deferred revenue of \$3,000,000 and did not record the remaining \$12,000,000 of the pledge as the necessary conditions to be met are still uncertain. Our opinion is not modified with respect to that matter.

*White Nelson Dick Evans LLP*

Irvine, California  
September 30, 2015

**FEEDING AMERICA SAN DIEGO**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

**ASSETS**

|   | 2015         | 2014         |
|---|--------------|--------------|
| Current Assets:                           |              |              |
| Cash and cash equivalents                 | \$ 610,841   | \$ 269,174   |
| Accounts receivable, net                  | 17,960       | 25,177       |
| Pledges receivable                        | 3,324,195    | 311,500      |
| Inventory                                 | 983,907      | 653,158      |
| Prepaid expenses and other current assets | 107,412      | 39,093       |
| Total Current Assets                      | 5,044,315    | 1,298,102    |
| Property and Equipment, at Net Book Value | 539,109      | 582,530      |
| Other Assets:                             |              |              |
| Deposits                                  | 63,908       | 63,821       |
| Total Assets                              | \$ 5,647,332 | \$ 1,944,453 |

**LIABILITIES AND NET ASSETS**

|                                  |              |              |
|----------------------------------|--------------|--------------|
| Current Liabilities:             |              |              |
| Accounts payable                 | \$ 172,076   | \$ 103,466   |
| Accrued expenses                 | 293,004      | 228,341      |
| Deferred donations               | 3,000,000    | 13,500       |
| Long-term debt - current portion | 25,000       | -            |
| Total Current Liabilities        | 3,490,080    | 345,307      |
| Long-Term Liabilities:           |              |              |
| Long-term debt                   | -            | 25,000       |
| Deferred rent                    | 21,673       | 69,347       |
| Total Long-Term Liabilities      | 21,673       | 94,347       |
| Total Liabilities                | 3,511,753    | 439,654      |
| Net Assets:                      |              |              |
| Unrestricted                     | 1,428,438    | 1,090,010    |
| Temporarily restricted           | 707,141      | 414,789      |
| Total Net Assets                 | 2,135,579    | 1,504,799    |
| Total Liabilities and Net Assets | \$ 5,647,332 | \$ 1,944,453 |

The accompanying notes are an integral part of these financial statements

**FEEDING AMERICA SAN DIEGO**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2015, WITH 2014 COMPARATIVE TOTALS**

|                                       | 2015          |                           |                           | Total         | 2014          |
|---------------------------------------|---------------|---------------------------|---------------------------|---------------|---------------|
|                                       | Unrestricted  | Temporarily<br>Restricted | Permanently<br>Restricted |               |               |
| Support and Revenue:                  |               |                           |                           |               |               |
| Community Support:                    |               |                           |                           |               |               |
| Donated food products and merchandise | \$ 33,920,447 | \$ -                      | \$ -                      | \$ 33,920,447 | \$ 35,650,787 |
| Grants and awards                     | 2,332,137     | 604,963                   | -                         | 2,937,100     | 3,030,300     |
| Contributions                         | 1,820,920     | 673,632                   | -                         | 2,494,552     | 2,279,853     |
| In-kind contributions                 | 163,827       | -                         | -                         | 163,827       | -             |
| Total Community Support               | 38,237,331    | 1,278,595                 | -                         | 39,515,926    | 40,960,940    |
| Shared Maintenance Fees               | 362,197       | -                         | -                         | 362,197       | 316,227       |
| Other Income                          | 12,578        | -                         | -                         | 12,578        | 11,431        |
| Net Assets Released from Restrictions | 986,243       | (986,243)                 | -                         | -             | -             |
| Total Support and Revenue             | 39,598,349    | 292,352                   | -                         | 39,890,701    | 41,288,598    |
| Expenses:                             |               |                           |                           |               |               |
| Program:                              |               |                           |                           |               |               |
| Program expenses                      | 37,616,141    | -                         | -                         | 37,616,141    | 40,103,337    |
| Total Program Expenses                | 37,616,141    | -                         | -                         | 37,616,141    | 40,103,337    |
| Support:                              |               |                           |                           |               |               |
| General and administrative            | 532,715       | -                         | -                         | 532,715       | 341,995       |
| Development                           | 1,111,065     | -                         | -                         | 1,111,065     | 1,497,901     |
| Total Support Expenses                | 1,643,780     | -                         | -                         | 1,643,780     | 1,839,896     |
| Total Expenses                        | 39,259,921    | -                         | -                         | 39,259,921    | 41,943,233    |
| Change in Net Assets                  | 338,428       | 292,352                   | -                         | 630,780       | (654,635)     |
| Total Net Assets at Beginning of Year | 1,090,010     | 414,789                   | -                         | 1,504,799     | 2,159,434     |
| Total Net Assets at End of Year       | \$ 1,428,438  | \$ 707,141                | \$ -                      | \$ 2,135,579  | \$ 1,504,799  |

The accompanying notes are an integral part of these financial statements

**FEEDING AMERICA SAN DIEGO**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

|  | <u>2015</u>                | <u>2014</u>              |
|--|----------------------------|--------------------------|
| Cash Flows from Operating Activities:                  |                            |                          |
| Change in Total Net Assets                             | \$ 630,780                 | \$ (654,635)             |
| Non-Cash Items Included in Change in Total Net Assets: |                            |                          |
| Allowance for doubtful accounts                        | 6,163                      | -                        |
| Depreciation   | 139,412                    | 152,849                  |
| Deferred rent  | (47,674)                   | (37,383)                 |
| Changes in:  |                            |                          |
| Accounts receivable                                    | 1,054                      | 45,691                   |
| Pledges receivable                                     | (12,695)                   | (286,500)                |
| Inventory  | (330,749)                  | 633,014                  |
| Prepaid expenses and other current assets              | (68,319)                   | 130,394                  |
| Deposits   | (87)                       | (6,000)                  |
| Accounts payable                                       | 68,610                     | (181,698)                |
| Accrued expenses                                       | 64,663                     | 108,013                  |
| Deferred donations                                     | (13,500)                   | 6,000                    |
| Net Cash Provided by (Used in) Operating Activities    | <u>437,658</u>             | <u>(90,255)</u>          |
| Cash Flows from Investing Activities:                  |                            |                          |
| Purchase of property and equipment                     | <u>(95,991)</u>            | <u>(73,604)</u>          |
| Net Cash Used in Investing Activities                  | (95,991)                   | (73,604)                 |
| Cash Flows from Financing Activities:                  |                            |                          |
| Payments on long -term debt                            | <u>-</u>                   | <u>(81,384)</u>          |
| Net Cash Used in Financing Activities                  | <u>-</u>                   | <u>(81,384)</u>          |
| Net Change in Cash                                     | 341,667                    | (245,243)                |
| Cash and Cash Equivalents at Beginning of Year         | <u>269,174</u>             | <u>514,417</u>           |
| Cash and Cash Equivalents at End of Year               | <u><u>\$ 610,841</u></u>   | <u><u>\$ 269,174</u></u> |
| Supplemental Disclosure of Non-Cash Activities:        |                            |                          |
| Pledges receivable recorded as deferred donations      | <u><u>\$ 3,000,000</u></u> | <u><u>\$ -</u></u>       |

The accompanying notes are an integral part of these financial statements

**FEEDING AMERICA SAN DIEGO**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2015, WITH 2014 COMPARATIVE TOTALS**

|                                | <u>Programs</u>                |                             |                         |                            |                               | <u>Total<br/>Program<br/>Expenses</u> | <u>General<br/>And<br/>Administrative</u> | <u>Development</u>  | <u>2015<br/>Total<br/>Expenses</u> | <u>2014<br/>Total<br/>Expenses</u> |
|--------------------------------|--------------------------------|-----------------------------|-------------------------|----------------------------|-------------------------------|---------------------------------------|---|---------------------|------------------------------------|------------------------------------|
|                                | <u>Agency<br/>Distribution</u> | <u>Feeding<br/>Families</u> | <u>Feeding<br/>Kids</u> | <u>Feeding<br/>Seniors</u> | <u>Feeding<br/>Excellence</u> |                                       |   |                     |                                    |                                    |
| In-kind food donations         | \$ 28,403,993                  | \$ 2,594,252                | \$ 2,639,975            | \$ 53,876                  | \$ 473                        | \$ 33,692,569                         | \$ -                                      | \$ -                | \$ 33,692,569                      | \$ 35,455,471                      |
| Salaries                       | 839,387                        | 150,188                     | 111,516                 | 2,793                      | 83,949                        | 1,187,833                             | 193,919                                   | 441,823             | 1,823,575                          | 1,766,163                          |
| Food procurement               | 678,817                        | 81,640                      | 261,177                 | 2,956                      | 5,148                         | 1,029,738                             | -   | -                   | 1,029,738                          | 1,813,152                          |
| Rent                           | 330,888                        | 31,565                      | 34,947                  | 1,461                      | 2,505                         | 401,366                               | 7,839                                     | 6,639               | 415,844                            | 425,501                            |
| Fundraising expense            | 22                             | -                           | -                       | -                          | -                             | 22                                    | 133                                       | 412,560             | 412,715                            | 365,330                            |
| Freight and transportation     | 302,719                        | 27,370                      | 28,051                  | 574                        | -                             | 358,714                               | -   | -                   | 358,714                            | 382,881                            |
| Employee benefits              | 102,202                        | 22,880                      | 12,250                  | 1,818                      | 14,671                        | 153,821                               | 23,926                                    | 50,572              | 228,319                            | 231,483                            |
| In-kind professional services  | -                              | -                           | -                       | -                          | 1,185                         | 1,185                                 | 156,534                                   | 6,108               | 163,827                            | 4,855                              |
| Professional services          | 50,633                         | 12,033                      | 6,314                   | 953                        | 7,863                         | 77,796                                | 41,587                                    | 29,188              | 148,571                            | 116,671                            |
| Depreciation                   | 117,650                        | 10,637                      | 10,902                  | 223                        | -                             | 139,412                               | -   | -                   | 139,412                            | 152,849                            |
| Utilities                      | 91,378                         | 12,443                      | 10,010                  | 419                        | 1,907                         | 116,157                               | 2,727                                     | 1,902               | 120,786                            | 110,427                            |
| Public relations and marketing | 155                            | -                           | -                       | -                          | -                             | 155                                   | 4,742                                     | 104,547             | 109,444                            | 254,395                            |
| Miscellaneous expenses         | 57,792                         | 4,660                       | 4,272                   | 258                        | 7,050                         | 74,032                                | 17,001                                    | 5,682               | 96,715                             | 112,359                            |
| Outside services               | 37,032                         | 3,412                       | 903                     | 401                        | 3,312                         | 45,060                                | 27,750                                    | 8,000               | 80,810                             | 2,357                              |
| Vehicle expenses               | 59,094                         | 5,339                       | 5,472                   | 112                        | -                             | 70,017                                | -   | -                   | 70,017                             | 80,758                             |
| Postage and printing           | 21,724                         | 1,993                       | 527                     | 234                        | 3,310                         | 27,788                                | 3,061                                     | 20,593              | 51,442                             | 21,401                             |
| Dues and subscriptions         | 36,642                         | 3,376                       | 894                     | 397                        | 3,277                         | 44,586                                | 5,064                                     | -                   | 49,650                             | 37,053                             |
| Programs                       | 435                            | 23,163                      | 4,363                   | -                          | 16,328                        | 44,289                                | -   | -                   | 44,289                             | 25,140                             |
| Bank charges                   | 241                            | -                           | -                       | -                          | 681                           | 922                                   | 36,762                                    | 4,795               | 42,479                             | 18,614                             |
| Repairs and maintenance        | 32,859                         | 3,670                       | 3,762                   | 77                         | -                             | 40,368                                | -   | -                   | 40,368                             | 35,117                             |
| Insurance                      | 24,089                         | 2,255                       | 2,433                   | 85                         | 117                           | 28,979                                | 5,810                                     | 311                 | 35,100                             | 30,922                             |
| Computer expenses              | 26,817                         | 2,139                       | 566                     | 252                        | 2,992                         | 32,766                                | (10,037)                                  | 9,665               | 32,394                             | 20,585                             |
| Travel                         | 7,973                          | 1,057                       | 2,586                   | 18                         | 7,316                         | 18,950                                | 7,116                                     | 3,361               | 29,427                             | 23,887                             |
| Supplies                       | 17,512                         | 1,462                       | 1,260                   | 61                         | 320                           | 20,615                                | 1,001                                     | 129                 | 21,745                             | 21,806                             |
| Bad debt                       | 242                            | 66                          | -                       | -                          | -                             | 308                                   | 6,274                                     | -                   | 6,582                              | 427                                |
| Repack expense                 | 5,211                          | 471                         | 483                     | 10                         | -                             | 6,175                                 | -   | -                   | 6,175                              | 1,356                              |
| Special events                 | -                              | -                           | -                       | -                          | -                             | -                                     | -   | 5,092               | 5,092                              | 425,420                            |
| Training and education         | 1,992                          | -                           | -                       | -                          | -                             | 1,992                                 | 384                                       | 98                  | 2,474                              | 1,835                              |
| Interest expense               | -                              | -                           | -                       | -                          | -                             | -                                     | 1,017                                     | -                   | 1,017                              | 1,606                              |
| Employee events                | 431                            | 40                          | 11                      | 5                          | 39                            | 526                                   | 105                                       | -                   | 631                                | 3,412                              |
|                                | <u>\$ 31,247,930</u>           | <u>\$ 2,996,111</u>         | <u>\$ 3,142,674</u>     | <u>\$ 66,983</u>           | <u>\$ 162,443</u>             | <u>\$ 37,616,141</u>                  | <u>\$ 532,715</u>                         | <u>\$ 1,111,065</u> | <u>\$ 39,259,921</u>               | <u>\$ 41,943,233</u>               |
|                                | <u>79.59%</u>                  | <u>7.63%</u>                | <u>8.01%</u>            | <u>0.17%</u>               | <u>0.41%</u>                  | <u>95.81%</u>                         | <u>1.36%</u>                              | <u>2.83%</u>        | <u>100.00%</u>                     | <u>100.00%</u>                     |

The accompanying notes are an integral part of these financial statements

**FEEDING AMERICA SAN DIEGO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

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

**Nature of Operations**

Feeding America San Diego (the “Organization”) was established in 2007 to efficiently gather, warehouse and distribute food and other grocery products to over 150 nonprofit agencies, including food pantries, after-school and senior programs, and congregate feeding programs which in turn attempt to meet the needs of food-insecure people in San Diego County. The Organization also operates rural food distribution sites through the Mobile Pantry Program, as well as partners with schools, which directly distribute food and other grocery products to those in need. The mission of the Organization is to feed people facing hunger, to advocate, and to educate. The Organization strives to provide the highest possible service to those in need. During the year ended June 30, 2015, the Organization distributed over 20 million pounds of food, serving 59,000 children, families and seniors each week.

**Program Services**

Besides the Organization’s main Agency Distribution program, the Organization has launched other initiatives to capture the nature of the programs that it operates in furtherance of its mission. The initiatives focus on each target population and the over-arching vision of a hunger-free and healthy San Diego.

- Feeding Families - The Organization delivers food to neighborhoods that are high in poverty and often lack resources and food assistance.

The Organization works with more than 150 non-profit Partner Agencies to ensure that healthy food is available through food pantries, soup kitchens and shelters at minimal or no cost. Partner Agencies are held to a strict set of guidelines and governing procedures that ensure food is distributed safely, in accordance with state and federal law.

In partnership with Ralph’s and Kraft, the Rural Mobile Pantry program serves seniors and families with limited access to wholesome food due to the lack of transportation and available resources. The Mobile Pantry program serves approximately 3,500 people in rural San Diego and provided the equivalent of nearly 1.1 million meals in the last year. Through the Partner Mobile Pantry, FASD provided 2.9 million pounds of food to 24 sites and served over 7,500 people in need per month.

- Feeding Seniors - The Organization has implemented a Feeding Seniors outreach program which reaches 174 seniors experiencing food insecurity in City Heights, Escondido, and the rural areas of San Diego. Once a month, three senior living facilities and seniors through Meals on Wheels receive fresh fruits and vegetables, bread, and appropriate shelf stable items to meet the needs of older adults.

**FEEDING AMERICA SAN DIEGO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

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

**Program Services (Continued)**

- Feeding Kids - Nearly half of the people served by the Organization are under the age of 18. Nutritious food items are distributed directly into the hands of local students and their families. In addition to providing critical food assistance, this program focuses on educating families about the role of fresh fruits and vegetables in a healthy, active lifestyle.

The Backpack program offers school children staple food items and fresh produce over the weekend and school holidays when they do not have access to school-based free breakfast and lunch programs. During the school year, over 800 students at 10 different schools are served.

The School Pantry program allows families to receive healthy food when they drop-off their children from school, offering critical savings in gas and time. 22 school pantries across San Diego County are providing nutritious and non-perishable items, as well as fresh produce twice each month.

The Organization also works with the San Diego Unified School District, Boys and Girls Clubs and local libraries to provide lunches and snacks at 25 sites during the summer months. Through the SFSP program, the Organization provided approximately 12,300 lunch meals and 7,500 snacks to over 480 students during the summer months.

- Feeding Excellence - Through the Feeding Excellence initiative, the Organization integrates nutrition education, volunteerism, capacity building and CalFresh (food stamps) into all programs. Struggling families stretch dollars by purchasing processed foods and other less-healthy items, contributing to increased obesity, diabetes, and heart disease. To reduce the risk of malnutrition and chronic disease in the lives of those served, the Organization focuses on distributing healthy and fresh foods along with appropriate nutrition education. Constituting 50% of the Organization's annual distribution, fresh produce plays a vital role in reducing the risk of these chronic diseases. Additionally, advocacy efforts for legislative change and CalFresh application assistance enable our agencies and partner schools as well as the Organization's team to outreach to clients and help them make ends meet and move towards self-sufficiency.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting. Contributions, including unconditional promises to give, are recognized as revenues in the period in which they are received and expenses are recorded as they are incurred.

**FEEDING AMERICA SAN DIEGO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

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

**Basis of Presentation**

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets - include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- Temporarily restricted net assets - include resources expendable only in the manner specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- Permanently restricted net assets - include resources subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no assets with such stipulations at June 30, 2015 and 2014.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles 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 and cash equivalents include petty cash funds, bank checking accounts used for operating purposes, and investments with maturities of three months or less from the original purchase dates.

**FEEDING AMERICA SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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

**Accounts Receivable**

Receivables represent amounts due from affiliated agencies and are stated at the amount the Organization expects to collect for partner agency income and grants from state associations. 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. At June 30, 2015 and 2014, the Organization has recorded an allowance for doubtful accounts totaling \$6,163 and \$0, respectively. Bad debt expense for the years ended June 30, 2015 and 2014 amounted to \$6,582 and \$427, respectively.

**Inventory**

Inventory consists of donated, non-government food and grocery items, purchased food, and emergency food boxes stored in the event of a disaster. Donated food for the years ended June 30, 2015 and 2014 is valued at \$1.70 and \$1.72 per pound, respectively, based on an annual cost study conducted for Feeding America's national office. Purchased food is valued at its historical cost.

**Property and Equipment**

Property and equipment are recorded at cost or estimated fair value for donated items. 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 fifteen years for cold storage and leasehold improvements. Equipment purchases over \$1,000 are capitalized. Depreciation is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the facilities or equipment. Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$139,412 and \$152,849, respectively.

**Long-Lived Assets and Asset Impairment**

The Organization accounts for impairment and disposition of long-lived assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 amount. At June 30, 2015 and 2014, 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, 2015 and 2014 is \$64,359 and \$50,312, respectively, and has been included in accrued expenses in the accompanying statements of financial position.

**FEEDING AMERICA SAN DIEGO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

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

**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, 2015 and 2014, the Organization’s total deferred rent liabilities were \$21,673 and \$69,347, respectively, and were included within deferred rent in the accompanying statements of financial position.

**Support and Revenue**

The Organization relies on grants and awards from public and private foundations, contributions from individuals, corporations, government programs, and other miscellaneous organizations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

- Contributions - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily unrestricted net assets depending on the nature of the restrictions.

Unconditional promises to give are recorded as contributions receivable and contribution revenue when received. Pledges are recorded at their net realizable value if expected to be collected in one year and at their fair value if expected to be collected in more than one year. Conditional promises to give, if any, are not included as support until the conditions on which they depend are substantially met.

- In-Kind Contributions - As stated above, donated food for the years ended June 30, 2015 and June 30, 2014 is valued at \$1.70 and \$1.72 per pound, respectively, 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 the 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.

**FEEDING AMERICA SAN DIEGO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

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

**Support and Revenue (Continued)**

- 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 \$.014 per pound. Total shared maintenance fees for the years ended June 30, 2015 and 2014 were \$362,197 and \$316,227, respectively.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Allocation of Joint Costs**

For the years ended June 30, 2015 and 2014, the Organization conducted activities that included appeals for contributions and incurred joint costs of \$417,807 and \$790,750, respectively. For the years ended June 30, 2015 and 2014, these activities included costs from direct mail campaigns totaling \$412,715 and \$365,330, and special event costs totaling \$5,092 and \$425,420, respectively.

**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 years ended June 30, 2015 and 2014, totaled \$109,444 and \$254,395, respectively. Through a generous private donation made during the year ended June 30, 2014, the Organization was able to make significant strides in educating clients and the public about hunger, health, and taking action to improve the food security of the community through the creation of a marketing department. This private donation was restricted to market research, staffing, brand development, media partnerships, advertising and other efforts to strengthen the communication of the vision, mission and programs of the Organization and was fully utilized during the year ended June 30, 2014.

**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 cost of hosting a large-scale fundraising gala during the year ended June 30, 2015. A large expense such as this would not have been possible without the generosity of this donor, enabling the Organization to increase awareness of hunger-relief in new philanthropic communities through the education of 300 guests.

**FEEDING AMERICA SAN DIEGO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

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

**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 accounts for the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, “*Accounting for Uncertainty in Income Taxes*” (“FIN 48”)) and under these provisions, an organization must recognize the tax benefit associated with tax taken for 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, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties. The Organization’s 2012 to 2014 tax years are open to review for federal tax purposes and 2011 to 2014 tax years are open to review for state income tax purposes.

**Note 2: Pledges Receivable**

In June 2015, the Organization received a pledge from one donor in the amount of \$15,000,000, in which the donor will pay \$3,000,000 per year, for a period of five years, starting in July 2015. The pledge is contingent on various organizational goals and factors that must be measured and met, many of which are possible, but not certain. Subsequent to year end, the Organization received the first quarterly payment of the pledge totaling \$750,000, thus has recorded a pledge receivable and corresponding deferred pledge revenue of \$3,000,000 for the year ended June 30, 2015. The Organization did not record the remaining \$12,000,000 of the pledge as the necessary conditions for remaining periods to be met are still uncertain.

**Note 3: Inventory**

Inventory consists of the following at June 30, 2015 and 2014:

|                       | <u>2015</u>       | <u>2014</u>       |
|-----------------------|-------------------|-------------------|
| Donated food          | \$ 702,485        | \$ 532,060        |
| Purchased commodities | 189,886           | 96,669            |
| Produce inventory     | <u>91,536</u>     | <u>24,429</u>     |
| Total Inventory       | <u>\$ 983,907</u> | <u>\$ 653,158</u> |

**FEEDING AMERICA SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 4: Donations**

The Organization receives 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, 2015 was as follows (in pounds) (unaudited):

|  | <u>Donated</u>      | <u>Purchased</u> | <u>Total</u>        |
|--|---------------------|------------------|---------------------|
| Food Held for Distribution,<br>Beginning of Year | 323,540             | 97,251           | 420,791             |
| Food Received                                    | 20,001,656          | 948,565          | 20,950,221          |
| Food Distributed and Unusable Product            | <u>(19,858,125)</u> | <u>(798,325)</u> | <u>(20,656,450)</u> |
| Food Held for Distribution, End of Year          | <u>467,071</u>      | <u>247,491</u>   | <u>714,562</u>      |

Food distribution activity during the year ended June 30, 2014 was as follows (in pounds) (unaudited):

|  | <u>Donated</u>      | <u>Purchased</u> | <u>Total</u>        |
|--|---------------------|------------------|---------------------|
| Food Held for Distribution,<br>Beginning of Year | 733,779             | 55,132           | 788,911             |
| Food Received                                    | 21,776,623          | 550,275          | 22,326,898          |
| Food Distributed and Unusable Product            | <u>(22,186,862)</u> | <u>(508,156)</u> | <u>(22,695,018)</u> |
| Food Held for Distribution, End of Year          | <u>323,540</u>      | <u>97,251</u>    | <u>420,791</u>      |

**Note 5: Property and Equipment**

At June 30, 2015 and 2014, property and equipment consist of the following:

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
| Machinery, equipment, and vehicles        | \$ 720,284        | \$ 695,024        |
| Cold storage and leasehold improvements   | 357,741           | 357,741           |
| Furniture and fixtures                    | 92,873            | 92,873            |
| Computer equipment                        | <u>122,586</u>    | <u>119,501</u>    |
| Total property and equipment, at cost     | 1,293,484         | 1,265,139         |
| Less: Accumulated depreciation            | <u>(814,651)</u>  | <u>(682,609)</u>  |
|   | 478,833           | 582,530           |
| Construction in progress                  | <u>60,276</u>     | <u>-</u>          |
| Property and Equipment, at Net Book Value | <u>\$ 539,109</u> | <u>\$ 582,530</u> |

**FEEDING AMERICA SAN DIEGO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**Note 6: Employee Benefit Plan**

The Organization has a qualified defined benefit contributory 401(k) plan (the “Plan”), whereby eligible employees may contribute a percentage of compensation, and the Organization contributes a discretionary match. The Organization began contributing a discretionary match beginning in February 2012. For the years ended June 30, 2015 and 2014, employer contributions were \$36,215 and \$35,690, respectively. Pension administrative expenses for the years ended June 30, 2015 and 2014, were approximately \$3,500 and \$1,500, respectively.

**Note 7: Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of cash and pledges receivable. The restricted cash and pledges receivable are for future expenditures in relation to various programs, initiatives, and asset purchases. Temporarily restricted net assets as of June 30, 2015 and 2014 consist of the following by Organization initiative:

|   | 2015           | 2014           |
|---|----------------|----------------|
| Feeding Kids                                | \$ 263,816     | \$ 312,789     |
| Feeding Excellence                          | 55,750         | 102,000        |
| CRM/Truck                                   | 141,673        | -              |
| Operations/Food Sourcing                    | 22,000         | -              |
| Feeding Families                            | 223,902        | -              |
| <br>Total Temporarily Restricted Net Assets | <br>\$ 707,141 | <br>\$ 414,789 |

**Note 8: Contributed Services**

A substantial number of volunteers have donated significant amounts of time in the operation of the Organization’s various programs and initiatives at the food bank. Legal, accounting, engineering, counseling and medical services meet the criteria of FASB ASC 958-605, “Accounting for Contributions Received”. For the year ended June 30, 2015, there were donated services that qualify under FASB ASC 958-605 of \$1,416. For the year ended June 30, 2014, there were \$4,855 donated services that qualified under FASB ASC 958-605.

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. The unaudited estimated value of such volunteer time for the years ended June 30, 2015 and 2014 was calculated using the California minimum wage of \$9.00 per hour and amounted to \$646,938 and \$414,623 respectively.

**FEEDING AMERICA SAN DIEGO  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

**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 the final decision regarding any action that might affect their related company or organization.

**Note 10: Risks and Uncertainties**

The Organization received 36% and 39% of its monetary support via one contributor for the years ended June 30, 2015 and 2014, respectively.

The Organization maintains cash and cash equivalent balances at a financial institution. At June 30, 2015 and 2014, accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's cash balances at the institution in excess of federally insured limits at June 30, 2015 and 2014 totaled approximately \$386,000 and \$99,000, respectively.

**Note 11: Commitments and Contingencies**

**Long-Term Debt**

Long-term debt as of June 30, 2015 and 2014, consists of the following:

|  | 2015      | 2014      |
|--|-----------|-----------|
| On August 31, 2012, the Organization entered into a note agreement with an institution with a borrowing amount totaling \$75,000 bearing a progressive interest rate up to four percent. Secured by computer equipment. The principal can be paid at any time or in three annual installments and outstanding interest is due on the maturity date, August 31, 2015. | \$ 25,000 | \$ 25,000 |
| Subtotal Long-Term Debt  | 25,000    | 25,000    |
| Less: Current Portion of Long-Term Debt  | (25,000)  | -         |
| Long-Term Debt   | \$ -      | \$ 25,000 |

**FEEDING AMERICA SAN DIEGO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 11: Commitments and Contingencies (Continued)**

**Operating Leases**

The Organization leases warehouse and office space and office equipment expiring through November 2020. Total rent expense related to such operating leases for the years ended June 30, 2015 and 2014 amounted to \$415,844 and \$425,501, respectively. Future aggregate minimum annual rent payments under these non-cancelable leases, as of June 30, 2015, are as follows:

|                                     |                     |
|-------------------------------------|---------------------|
| 2016                                | \$ 408,636          |
| 2017                                | 443,568             |
| 2018                                | 456,502             |
| 2019                                | 457,376             |
| 2020                                | 471,097             |
| Thereafter                          | <u>198,702</u>      |
| Total Future Minimum Lease Payments | \$ <u>2,435,881</u> |

**Employment Agreement**

The Organization is engaged in an employment agreement with a company that provides executive management and leadership transition services. The agreement provides for monthly fees of \$30,000 beginning in January 2015 through the subsequent hiring of a permanent executive director. The fees of this agreement are classified as “In-Kind Professional Services” and included in Program Expenses, General and Administrative, and Development in the accompanying statements of activities and changes in net assets. In addition, the fees of the employment agreement are paid via contributions from one donor. These contributions are included in “In-Kind Contributions” in the accompanying statements of activities and changes in net assets.

**Litigation**

The Organization experiences litigation during the normal course of its operations. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

**Note 12: Subsequent Events**

As discussed in Note 2, the Organization has received the first quarterly installment totaling \$750,000 of its pledge receivable recorded. Events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of September 30, 2015, which is the date the financial statements were available to be issued.