

FEEDING SAN DIEGO
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

WITH INDEPENDENT AUDITORS' REPORT

LETTER FROM THE CEO

Dear Friends:

In fiscal year 2019, Feeding San Diego provided 26.3 million meals to people facing hunger, including children, seniors, military families, veterans, people facing homelessness, and other underserved populations. More than half of all food distributed was fresh produce, providing the fruits and vegetables food-insecure households need to live healthy lives.

Our impact in fiscal year 2019 was achieved through the success of our diverse network, including 300 distribution partners, 530 food donor locations, 225 farms and packing sheds, 14,000 volunteers, 8,500 donors, and more than 50 staff.

Through our innovative approach, 97 percent of distributed food in fiscal year 2019 was rescued and would have otherwise gone to waste. Our environmentally responsible model was recognized with the Fantastic Environmental Action Taken Award from the Sierra Club San Diego Chapter and the Business Waste Reduction & Recycling Award from the City of San Diego. Looking forward, Feeding San Diego remains committed to expanding food rescue in order to cost-effectively solve hunger while preventing increased greenhouse gas emissions from decomposing organic waste.

With the generosity of the community, Feeding San Diego continues working tirelessly to connect the one in eight people facing hunger in San Diego County with nutritious meals. Together, we can end hunger.

Sincerely,

A handwritten signature in black ink, appearing to read "Vince Hall".

Vince Hall

Chief Executive Officer

**FEEDING SAN DIEGO
TABLE OF CONTENTS
JUNE 30, 2019 AND 2018**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows.....	6
Statements of Functional Expenses	7
Notes to Financial Statements.....	9

INDEPENDENT AUDITORS' REPORT

Board of Directors
Feeding San Diego

We have audited the accompanying financial statements of Feeding San Diego (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 San Diego as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in June 2015, the Organization received a conditional 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 as of June 30, 2019 and 2018. Our opinion is not modified with respect to this matter.

White Nelson Dick Evans LLP

Irvine, California
January 7, 2020

FEEDING SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash	\$ 1,928,240	\$ 1,660,850
Accounts receivable	145,519	78,213
Pledges receivable	3,552,049	3,343,212
Inventory	804,333	598,104
Prepaid expenses and other current assets	<u>194,393</u>	<u>163,293</u>
Total Current Assets	6,624,534	5,843,672
Property and Equipment, at Net Book Value	559,598	709,389
Other Assets:		
Deposits	<u>60,670</u>	<u>60,670</u>
Total Assets	<u>\$ 7,244,802</u>	<u>\$ 6,613,731</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 239,105	\$ 224,426
Accrued expenses	293,707	293,683
Deferred donations	<u>3,000,000</u>	<u>3,000,000</u>
Total Current Liabilities	3,532,812	3,518,109
Long-Term Liabilities:		
Deferred rent	<u>62,450</u>	<u>91,108</u>
Total Liabilities	3,595,262	3,609,217
Net Assets:		
Without donor restrictions	2,808,829	2,798,481
With donor restrictions	<u>840,711</u>	<u>206,033</u>
Total Net Assets	<u>3,649,540</u>	<u>3,004,514</u>
Total Liabilities and Net Assets	<u>\$ 7,244,802</u>	<u>\$ 6,613,731</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Support and Revenue:			
Community Support:			
Donated food products and merchandise	\$ 42,640,211	\$ -	\$ 42,640,211
Grants and awards	4,828,472	-	4,828,472
Contributions	2,172,365	1,241,823	3,414,188
In-kind contributions	56,382	-	56,382
	<u>49,697,430</u>	<u>1,241,823</u>	<u>50,939,253</u>
Total Community Support			
Shared Maintenance Fees	160,252	-	160,252
Other Income	40,003	-	40,003
Net Assets Released from Restrictions	607,145	(607,145)	-
	<u>50,504,830</u>	<u>634,678</u>	<u>51,139,508</u>
Total Support and Revenue			
Expenses:			
Program:			
Program expenses	47,689,861	-	47,689,861
	<u>47,689,861</u>	<u>-</u>	<u>47,689,861</u>
Total Program Expenses			
Support:			
General and administrative	978,985	-	978,985
Development	1,825,636	-	1,825,636
	<u>2,804,621</u>	<u>-</u>	<u>2,804,621</u>
Total Support Expenses			
Total Expenses	<u>50,494,482</u>	<u>-</u>	<u>50,494,482</u>
Change in Net Assets	10,348	634,678	645,026
Total Net Assets, Beginning of Year	<u>2,798,481</u>	<u>206,033</u>	<u>3,004,514</u>
Total Net Asset, End of Year	<u>\$ 2,808,829</u>	<u>\$ 840,711</u>	<u>\$ 3,649,540</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Support and Revenue:			
Community Support:			
Donated food products and merchandise	\$ 46,300,462	\$ -	\$ 46,300,462
Grants and awards	3,920,607	-	3,920,607
Contributions	2,904,662	441,814	3,346,476
In-kind contributions	90,746	-	90,746
	<u>53,216,477</u>	<u>441,814</u>	<u>53,658,291</u>
Total Community Support			
Shared Maintenance Fees	161,909	-	161,909
Other Income	5,659	-	5,659
Net Assets Released from Restrictions	617,245	(617,245)	-
	<u>54,001,290</u>	<u>(175,431)</u>	<u>53,825,859</u>
Total Support and Revenue			
Expenses:			
Program:			
Program expenses	51,596,792	-	51,596,792
	<u>51,596,792</u>	<u>-</u>	<u>51,596,792</u>
Total Program Expenses			
Support:			
General and administrative	942,994	-	942,994
Development	1,623,496	-	1,623,496
	<u>2,566,490</u>	<u>-</u>	<u>2,566,490</u>
Total Support Expenses			
Total Expenses	<u>54,163,282</u>	<u>-</u>	<u>54,163,282</u>
Change in Net Assets	(161,992)	(175,431)	(337,423)
Total Net Assets, Beginning of Year	<u>2,960,473</u>	<u>381,464</u>	<u>3,341,937</u>
Total Net Asset, End of Year	<u>\$ 2,798,481</u>	<u>\$ 206,033</u>	<u>\$ 3,004,514</u>

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

FEEDING SAN DIEGO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 645,026	\$ (337,423)
Noncash Items Included in Change in Net Assets:		
Depreciation	199,390	267,234
Deferred rent	(28,658)	(15,338)
Gain on disposal of property and equipment	(29,000)	-
Inventory - donated	(194,141)	389,048
Changes in:		
Accounts receivable	(67,306)	(58,808)
Pledges receivable	(208,837)	(234,307)
Inventory	(12,088)	194,582
Prepaid expenses and other current assets	(31,100)	(776)
Deposits	-	(4,000)
Accounts payable	14,679	(2,549)
Accrued expenses	24	120,041
Net Cash Provided by Operating Activities	287,989	317,704
Cash Flows from Investing Activities:		
Proceeds from the sale of property and equipment	29,000	-
Purchase of property and equipment	(49,599)	(123,525)
Net Cash Used in Investing Activities	(20,599)	(123,525)
Net Increase in Cash	267,390	194,179
Cash, Beginning of Year	1,660,850	1,466,671
Cash, End of Year	\$ 1,928,240	\$ 1,660,850
Supplemental Disclosure of Noncash Activities:		
Pledges receivable recorded as deferred donations	\$ 3,000,000	\$ 3,000,000

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

FEEDING SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Expenses	General and Administrative	Development	Total Expenses
In-kind food donations	\$ 42,524,720	\$ -	\$ -	\$ 42,524,720
Salaries	1,653,106	426,977	791,412	2,871,495
Food procurement	1,170,913	-	-	1,170,913
Rent and common area maintenance charges	563,457	21,297	10,415	595,169
Programs	280,697	-	-	280,697
Transportation and freight	429,077	-	-	429,077
Employee benefits	294,204	60,708	87,618	442,530
Equipment	78,702	606	783	80,091
Public relations and marketing	-	-	350,376	350,376
Miscellaneous expenses	30,230	10,709	5,076	46,015
Fundraising expense	-	-	266,423	266,423
Depreciation	-	199,390	-	199,390
Utilities	191,240	7,201	3,530	201,971
In-kind professional services	-	-	56,382	56,382
Outside services	74,096	110,322	111,722	296,140
Dues and subscriptions	29,792	41,356	10,871	82,019
Postage and printing	5,888	2,004	21,965	29,857
Vehicle expenses	106,490	-	-	106,490
Repairs and maintenance	99,879	-	-	99,879
Travel	31,997	11,589	2,868	46,454
Special events	-	1,193	76,432	77,625
Insurance	55,033	1,916	939	57,888
Supplies	18,557	2,746	1,313	22,616
Computer expenses	42,388	72	27,044	69,504
Bank charges	-	46,772	-	46,772
Employee events	-	1,157	-	1,157
Professional services	-	26,784	-	26,784
Training and education	6,531	5,932	467	12,930
Bad debt expense	2,864	254	-	3,118
	<u>\$ 47,689,861</u>	<u>\$ 978,985</u>	<u>\$ 1,825,636</u>	<u>\$ 50,494,482</u>
	<u>94.44%</u>	<u>1.94%</u>	<u>3.62%</u>	<u>100.00%</u>

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

FEEDING SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Expenses	General and Administrative	Development	Total Expenses
In-kind food donations	\$ 46,690,094	\$ -	\$ -	\$ 46,690,094
Salaries	1,548,115	307,000	762,916	2,618,031
Food procurement	1,116,473	-	-	1,116,473
Rent and common area maintenance charges	563,154	21,296	10,410	594,860
Programs	316,023	-	-	316,023
Freight and transportation	411,724	36	-	411,760
Employee benefits	225,294	47,434	73,370	346,098
Public relations and marketing	6,270	(335)	340,807	346,742
Miscellaneous expenses	103,081	43,631	3,363	150,075
Fundraising expense	-	-	226,401	226,401
Depreciation	-	267,234	-	267,234
Utilities	185,753	12,202	3,432	201,387
In-kind professional services	180	34,682	55,884	90,746
Outside services	97,625	27,848	15,326	140,799
Dues and subscriptions	35,039	39,622	14,879	89,540
Postage and printing	2,199	3,917	43,038	49,154
Vehicle expenses	104,564	109	-	104,673
Repairs and maintenance	52,683	-	-	52,683
Travel	39,498	11,994	4,257	55,749
Special events	-	-	58,052	58,052
Insurance	30,459	23,445	563	54,467
Supplies	30,869	7,998	833	39,700
Computer expenses	31,616	10,881	7,027	49,524
Bank charges	-	43,233	2,791	46,024
Employee events	47	1,645	-	1,692
Professional services	-	35,375	-	35,375
Training and education	6,032	2,157	147	8,336
Bad debt expense	-	1,590	-	1,590
	<u>\$ 51,596,792</u>	<u>\$ 942,994</u>	<u>\$ 1,623,496</u>	<u>\$ 54,163,282</u>
	<u>95.26%</u>	<u>1.74%</u>	<u>3.00%</u>	<u>100.00%</u>

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

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 non-profit organization, funded by philanthropic and community support, dedicated to connecting every person facing hunger with nutritious meals by maximizing food rescue. Operating as an independent non-profit, 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

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

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Basis of 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 (“US 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 US 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).

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 US 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

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, 2019 and 2018. Bad debt expense for the years ended June 30, 2019 and 2018, amounted to \$3,118 and \$1,590, respectively.

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Inventory

Inventory consists of donated, nongovernment 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, 2019 and 2018, is valued at \$1.68 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 if the items are donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 6 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 years ended June 30, 2019 and 2018, amounted to \$199,390 and \$267,234, respectively.

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 amount. At June 30, 2019 and 2018, 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, 2019 and 2018, is \$90,972 and \$84,800, respectively, and has been included in accrued expenses in the accompanying statements 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, 2019 and 2018, the Organization's total deferred rent liabilities are \$62,450 and \$91,108, respectively, and included within deferred rent in the accompanying statements of financial position.

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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.

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, donated food for the years ended June 30, 2019 and 2018, is valued at \$1.68 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 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 9.

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 years ended June 30, 2019 and 2018, were \$160,252 and \$161,909, respectively.

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the accompanying statements 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 food and donated 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 years ended June 30, 2019 and 2018, the Organization conducted fundraising activities that included appeals for contributions and incurred costs of \$344,049 and \$284,453, respectively. For the years ended June 30, 2019 and 2018, these activities included costs from direct mail campaigns totaling \$266,423 and \$226,401, respectively, and special event costs totaling \$77,625 and \$58,052, 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, 2019 and 2018, totaled \$350,376 and \$346,742, respectively.

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 years ended June 30, 2019 and 2018. 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.

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 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.

New Accounting Pronouncements - Net Yet Adopted

In February 2016, the FASB issued Accounting Standards Update (“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, 2019; 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.

In June 2018, the FASB issued 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 does not expect the provisions of ASU 2018-08 to have a material impact on the presentation of its financial statements.

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Recent Accounting Pronouncement - Adopted

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for asset classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity, and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profit organizations to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated.

ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by not-for-profit entities to allocate costs among program and support functions will also need to be disclosed. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on the management of liquid available resources and the ability to cover short-term cash needs within one year of the statement of financial position date. Finally, current standards allow not-for-profit entities to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method. 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, 2019. As a result of adopting these provisions, net assets previously reported as unrestricted net assets at June 30, 2018, have been restated as net assets without donor restrictions, and net assets previously reported as temporarily restricted net assets at June 30, 2018, have been restated as net assets with donor restrictions.

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 824,257	\$ 909,683
Accounts receivable	145,519	78,213
Pledges receivable	<u>3,552,049</u>	<u>3,343,212</u>
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 4,521,825</u>	<u>\$ 4,331,108</u>

**FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 2: Liquidity (Continued)

Cash as restated above has been reduced by \$1,103,983 and \$751,167, respectively, from amounts reported in the accompany statements of net position at June 30, 2019 and 2018, based on the Organization's reserve policy which 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: Pledges Receivable

In June 2015, the Organization received a conditional 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 the years ended June 30, 2019 and 2018, the Organization received the first quarterly installment payments totaling \$750,000 in July 2019 and July 2018 as a result of meeting the annual requirements set forth in the conditional pledge. Thus, the Organization has recorded a pledge receivable and corresponding deferred pledge revenue of \$3,000,000 for the years ended June 30, 2019 and 2018. As of June 30, 2019, the Organization has received \$12,000,000 of the conditional pledge. The remaining amounts included in pledges receivable in the statement of financial position of \$552,049 and \$343,212 at June 30, 2019 and 2018, respectively, are all due in one year or less.

Note 4: Inventory

Inventory consists of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Donated food	\$ 442,552	\$ 397,300
Purchased commodities	98,716	86,628
Produce inventory	<u>263,065</u>	<u>114,176</u>
Total Inventory	<u>\$ 804,333</u>	<u>\$ 598,104</u>

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 5: 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, 2019, was as follows (in pounds) (unaudited):

	<u>Donated</u>	<u>Purchased</u>	<u>Total</u>
Food held for distribution, beginning of year	304,450	149,081	453,531
Food received	26,387,999	706,749	27,094,748
Food distributed and unusable product	<u>(26,256,883)</u>	<u>(704,931)</u>	<u>(26,961,814)</u>
 Food Held for Distribution, End of Year	 <u>435,566</u>	 <u>150,899</u>	 <u>586,465</u>

Food distribution activity during the year ended June 30, 2018, was as follows (in pounds) (unaudited):

	<u>Donated</u>	<u>Purchased</u>	<u>Total</u>
Food held for distribution, beginning of year	520,534	447,874	968,408
Food received	26,763,273	661,861	27,425,134
Food distributed and unusable product	<u>(26,979,357)</u>	<u>(960,654)</u>	<u>(27,940,011)</u>
 Food Held for Distribution, End of Year	 <u>304,450</u>	 <u>149,081</u>	 <u>453,531</u>

Note 6: Property and Equipment

At June 30, 2019 and 2018, property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Machinery, equipment, and vehicles	\$ 1,172,252	\$ 1,316,490
Cold storage and leasehold improvements	374,581	374,581
Furniture and fixtures	135,061	135,061
Computer equipment	<u>278,690</u>	<u>233,041</u>
 Total property and equipment, at cost	 1,960,584	 2,059,173
Less: Accumulated depreciation	<u>(1,400,986)</u>	<u>(1,349,784)</u>
 Property and Equipment, at Net Book Value	 <u>\$ 559,598</u>	 <u>\$ 709,389</u>

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 7: 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 years ended June 30, 2019 and 2018, employer contributions were \$70,274 and \$58,271, respectively. 401(k) Plan administrative expenses for the years ended June 30, 2019 and 2018, were approximately \$4,700 and \$2,100, respectively.

Note 8: 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, 2019 and 2018, consist of the following by Organization initiative:

	2019	2018
Feeding Kids	\$ 213,333	\$ 20,000
Feeding Seniors	33,333	-
Operations/food sourcing	89,106	141,580
Feeding Families	111,500	44,453
Facilities	393,439	-
 Total Net Assets with Donor Restrictions	 \$ 840,711	 \$ 206,033

Note 9: Contributed Services

For the years ended June 30, 2019 and 2018, there were donated items for the annual spring event for fundraising totaling \$56,382 and \$90,746, respectively.

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, 2019 and 2018, was calculated using the California minimum wage, which amounted to approximately \$512,000 and \$633,000, respectively.

FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 10: 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 11: Risks and Uncertainties

The Organization received 41 percent of its monetary support via one contributor for the years ended June 30, 2019 and 2018.

The Organization maintains cash balances at one financial institution. At June 30, 2019 and 2018, 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, 2019 and 2018, totaled approximately \$1,682,000 and \$1,598,000, respectively.

Note 12: 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, 2019 and 2018. The interest rate is 1.0 percent above the prime rate. The line of credit is secured by substantially all the Organization's assets. The line of credit expires July 2020.

Note 13: Commitments and Contingencies

Operating Leases

The Organization leases warehouse and office space and office equipment expiring through November 2023. Total rent expense, including common area maintenance charges, related to such operating leases for the years ended June 30, 2019 and 2018, amounted to \$595,169 and \$594,860, respectively. Future aggregate minimum annual rental payments under these noncancelable leases as of June 30, 2019, are as follows:

2020	\$ 486,509
2021	214,114
2022	11,241
2023	<u>417</u>
Total Future Minimum Lease Payments	<u>\$ 712,281</u>

**FEEDING SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

Note 14: Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform with the current year presentation.

Note 15: Subsequent Events

As discussed in Note 2, in July 2019, the Organization received the first quarterly installment totaling \$750,000 for year five of its pledge receivable.

Other events occurring after June 30, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of January 7, 2020, which is the date the financial statements were available to be issued.