



Feeding San Diego

Financial Statements
Years Ended June 30, 2023 and 2022



Feeding San Diego

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position as of June 30, 2023 and 2022	5
Statements of Activities and Changes in Net Assets for the Years Ended June 30, 2023 and 2022	6
Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2022	7
Statements of Functional Expenses for the Years Ended June 30, 2023 and 2022	8
Statement of Functional Expenses for the Year Ended June 30, 2022	9
Statements of Cash Flows for the Years Ended June 30, 2023 and 2022	10
Notes to Financial Statements	11-21



Independent Auditors' Report

To the Audit Committee
Feeding San Diego
San Diego, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Feeding San Diego** (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 and Note 10 to the financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits, 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mayer Hoffman McCann P.C.

San Diego, California
March 27, 2024

Feeding San Diego

Statements of Financial Position

<i>June 30,</i>	2023	2022
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 5,233,971	\$ 10,432,133
Accounts receivable	259,877	987,467
Pledges receivable	50,000	150,000
Inventory	738,311	1,238,807
Prepaid expenses	254,280	223,493
Total current assets	6,536,439	13,031,900
Property and Equipment, at Net Book Value	4,308,506	3,813,188
Operating Lease Right of Use Asset, Net of Amortization	2,353,944	-
Finance Lease Right of Use Asset, Net of Amortization	111,103	-
Deposits	81,459	131,459
Total Assets	\$ 13,391,451	\$ 16,976,547
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 292,878	\$ 304,255
Accrued expenses	911,975	1,783,762
Current portion of capital lease obligation	-	22,513
Short term operating lease liability	569,526	-
Short term finance lease liability	28,327	-
Total current liabilities	1,802,706	2,110,530
Deferred Revenue	1,351,005	-
Long-Term Liabilities - Deferred Rent and Lease Incentive Liability	-	532,407
Capital Lease Obligation, Less Current Portion	-	72,856
Operating Lease Liability, Less Current Portion	2,195,405	-
Finance Lease Liability, Less Current Portion	76,804	-
Total Liabilities	5,425,920	2,715,793
Net Assets		
Without donor restrictions	6,529,515	12,373,075
With donor restrictions	1,436,016	1,887,679
Total Net Assets	7,965,531	14,260,754
Total Liabilities and Net Assets	\$ 13,391,451	\$ 16,976,547

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

Feeding San Diego

Statements of Activities and Changes in Net Assets

<i>Years Ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Support and Revenue:				
Community Support:				
Rescued and donated food	\$ 63,817,137	\$ -	\$ 63,817,137	\$ 59,867,532
Grants and awards	2,650,379	698,264	3,348,643	5,542,645
Federal awards	1,367,748	-	1,367,748	643,494
Contributions	12,275,881	-	12,275,881	13,812,804
Total Community Support	80,111,145	698,264	80,809,409	79,866,475
Shared Maintenance Fees	187,460	-	187,460	165,368
Subsidies	145,369	-	145,369	290,967
Other Income	29,871	-	29,871	26,091
Net Assets Released from Restrictions:	1,149,927	(1,149,927)	-	-
Total Support and Revenue	81,623,772	(451,663)	81,172,109	80,348,901
Expenses:				
Program:				
Program expenses	81,261,076	-	81,261,076	77,712,793
Total Program	81,261,076	-	81,261,076	77,712,793
Support:				
General and administrative	3,992,596	-	3,992,596	3,101,477
Development	2,213,660	-	2,213,660	3,031,229
Total Support	6,206,256	-	6,206,256	6,132,706
Total Expenses	87,467,332	-	87,467,332	83,845,499
Other expenses:				
Interest expense	9,377	-	9,377	5,211
Total Other Expenses	9,377	-	9,377	5,211
Changes in Net Assets	(5,843,560)	(451,663)	(6,295,223)	(3,501,809)
Total Net Assets, Beginning of Year	12,373,075	1,887,679	14,260,754	17,762,563
Total Net Assets, End of Year	\$ 6,529,515	\$ 1,436,016	\$ 7,965,531	\$ 14,260,754

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

Feeding San Diego

Statement of Activities and Changes in Net Assets

<i>Year Ended June 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Community Support:			
Rescued and donated food	\$ 59,867,532	\$ -	\$ 59,867,532
Grants and awards	3,654,966	1,887,679	5,542,645
Federal awards	643,494	-	643,494
Contributions	13,812,804	-	13,812,804
Total Community Support	77,978,796	1,887,679	79,866,475
Shared Maintenance Fees	165,368	-	165,368
Subsidies	290,967	-	290,967
Other Income	26,091	-	26,091
Net Assets Released from Restrictions	854,817	(854,817)	-
Total Support and Revenue	79,316,039	1,032,862	80,348,901
Expenses:			
Program:			
Program expenses	77,712,793	-	77,712,793
Total Program	77,712,793	-	77,712,793
Support:			
General and administrative	3,101,477	-	3,101,477
Development	3,031,229	-	3,031,229
Total Support	6,132,706	-	6,132,706
Total Expenses	83,845,499	-	83,845,499
Other expenses:			
Interest expense	5,211	-	5,211
Total Other Expenses	5,211	-	5,211
Changes in Net Assets	(4,534,671)	1,032,862	(3,501,809)
Total Net Assets, Beginning of Year	16,907,746	854,817	17,762,563
Total Net Assets, End of Year	\$ 12,373,075	\$ 1,887,679	\$ 14,260,754

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

Feeding San Diego

Statements of Functional Expenses

<i>Years Ended June 30,</i>	Program Expenses	General and Administrative	Development	2023 Total Expenses	2022 Total Expenses
Rescued and donated food	\$ 63,741,507	\$ -	\$ -	\$ 63,741,507	\$ 59,888,177
Food procurement	9,531,457	-	-	9,531,457	11,105,631
Salaries	3,414,048	1,779,851	1,122,587	6,316,486	5,019,126
Professional services	804,327	99,299	89,369	992,995	618,004
Rent and common area maintenance charges	739,218	88,859	98,732	926,809	822,828
Depreciation	-	891,168	-	891,168	575,055
Employee benefits	399,744	208,399	131,441	739,584	606,003
Public relations and marketing	-	642,556	-	642,556	889,855
Fundraising expenses	-	-	517,386	517,386	402,839
Programs - grants and support	484,660	-	-	484,660	902,981
Equipment rental	370,641	45,758	41,182	457,581	291,337
Supplies	295,558	36,489	32,840	364,887	207,512
Vehicle expenses	321,917	-	-	321,917	186,897
Utilities	255,103	31,494	28,345	314,942	402,106
Outside services	127,835	66,645	42,034	236,514	456,900
Computer expenses	181,755	22,439	20,195	224,389	136,620
Dues and subscriptions	138,036	17,041	15,337	170,414	112,968
Postage and printing	110,625	13,658	12,292	136,575	167,575
Bank fees and service charges	107,546	13,277	11,950	132,773	125,833
Insurance	91,712	11,322	10,190	113,224	68,591
Training and education	91,297	11,271	10,144	112,712	18,816
Travel	46,192	5,703	5,132	57,027	13,610
Special events	-	5,367	23,626	28,993	52,405
Miscellaneous expenses	7,898	975	878	9,751	118,363
Bad debt expense	-	1,025	-	1,025	-
Transportation, freight, and fuel	-	-	-	-	573,213
Repairs and maintenance	-	-	-	-	68,238
Loss on disposal of property and equipment	-	-	-	-	11,610
Employee events	-	-	-	-	2,406
Total Functional Expenses	\$ 81,261,076	\$ 3,992,596	\$ 2,213,660	\$ 87,467,332	\$ 83,845,499

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

Feeding San Diego

Statement of Functional Expenses

<i>Year Ended June 30, 2022</i>	Program Expenses	General and Administrative	Development	Total Expenses
Rescued and donated food	\$ 59,888,177	\$ -	\$ -	\$ 59,888,177
Food procurement	11,105,631	-	-	11,105,631
Salaries	2,716,943	1,334,700	967,483	5,019,126
Programs - grants and support	878,426	24,555	-	902,981
Public relations and marketing	-	-	889,855	889,855
Rent and common area maintenance charges	666,491	82,283	74,054	822,828
Professional services	57,790	466,823	93,391	618,004
Employee benefits	319,366	180,538	106,099	606,003
Depreciation	-	575,055	-	575,055
Transportation, freight, and fuel	573,213	-	-	573,213
Outside services	186,168	224,643	46,089	456,900
Fundraising expenses	-	-	402,839	402,839
Utilities	325,705	40,211	36,190	402,106
Equipment	286,999	2,214	2,124	291,337
Supplies	198,877	6,330	2,305	207,512
Vehicle expenses	186,897	-	-	186,897
Postage and printing	4,980	4,585	158,010	167,575
Computer expenses	55,840	5,415	75,365	136,620
Bank fees and service charges	-	30,016	95,817	125,833
Miscellaneous expenses	85,116	22,356	10,891	118,363
Dues and subscriptions	33,176	57,930	21,862	112,968
Insurance	60,663	4,173	3,755	68,591
Repairs and maintenance	68,238	-	-	68,238
Special events	-	9,700	42,705	52,405
Training and education	2,169	15,969	678	18,816
Travel	11,928	7	1,675	13,610
Loss on disposal of property and equipment	-	11,610	-	11,610
Employee events	-	2,364	42	2,406
Total Functional Expenses	\$ 77,712,793	\$ 3,101,477	\$ 3,031,229	\$ 83,845,499

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

Feeding San Diego

Statements of Cash Flows

<i>Years Ended June 30,</i>	2023	2022
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (6,295,223)	\$ (3,501,809)
Noncash Items Included in Change in Net Assets:		
Depreciation	891,168	575,055
Loss on disposal of property and equipment	-	11,610
Inventory - rescued and donated food	(357,644)	14,125
Changes in:		
Accounts receivable	727,590	166,153
Pledges receivable	100,000	(129,191)
Inventory	858,140	(72,086)
Prepaid expenses	(30,787)	45,740
Deposits	50,000	3,707
Accounts payable	(11,377)	(219,436)
Accrued expenses	(871,787)	1,219,261
Deferred rent	-	44,809
Deferred Revenue	1,351,005	-
Operating lease right of use asset and liability, net	489,172	-
Deffered Rent and Lease Incentive Liability	(532,407)	(84,552)
Net Cash From Operating Activities	(3,632,150)	(1,926,614)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(1,471,358)	(1,870,132)
Net Cash From Investing Activities	(1,471,358)	(1,870,132)
Cash Flows from Financing Activities:		
Capital lease payments	(94,654)	(8,589)
Net Cash From Financing Activities	(94,654)	(8,589)
Net change in cash and cash equivalents	(5,198,162)	(3,805,335)
Cash and cash equivalents, Beginning of Year	10,432,133	14,237,468
Cash and cash equivalents, End of Year	\$ 5,233,971	\$ 10,432,133

Non-cash Investing and Financing Activities:

During 2023, the Organization recognized approximately \$2,900,000 related to recording right of use assets in exchange for lease liabilities.

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

Feeding San Diego

Notes to Financial Statements

(1) Nature of Operations and Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Nature of operations

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

Program services

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

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

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

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

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

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

Basis of accounting and presentation

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

Feeding San Diego

Notes to Financial Statements

Basis of accounting and presentation, cont'd

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).

As of June 30, 2023 and 2022, net assets without donor restrictions were \$6,529,515, and \$12,373,075, and net assets with donor restrictions were \$1,436,016, and \$1,877,679, respectively.

Use of estimates

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

Cash and cash equivalents

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

Accounts receivable

Accounts receivable represent amounts due from affiliated agencies and are stated at the amount that the Organization expects to collect for partner agency income and federally funded programs administered by states. Provision for losses on receivables is made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when the Organization determines that payments will not be received. Any subsequent receipts are credited to the allowance. There was no allowance for doubtful accounts at June 30, 2023 and 2022. Bad debt expense for the year ended June 30, 2023 amounted to \$1,025. There was no bad debt expense for the year ended June 30, 2022.

Pledges receivable

Pledges represent unequivocal commitments to contribute to the Organization's initiatives and are recognized as revenue upon actual receipt. As of June 30, 2023 and 2022, the Organization had \$50,000 and \$150,000 in pledges receivable, respectively, and are considered to be fully collectible. Accordingly, there were no allowances for doubtful pledges.

Feeding San Diego

Notes to Financial Statements

Inventory

Inventory consists of rescued and donated, nongovernment food and grocery items, purchased food, and emergency food boxes stored in the event of a disaster. Rescued and donated food for the years ended June 30, 2023, and 2022, was valued at \$1.93 and \$1.92 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 three to six years for vehicles, office furniture, and equipment, and the lesser of the lease term or the estimated useful life for cold storage and leasehold improvements. Equipment purchases over \$1,000 are capitalized. Depreciation is recorded as a decrease in net assets without donor restrictions, and the expense is charged to the activity benefiting from the use of the facilities or equipment. Depreciation expense for the years ended June 30, 2023 and 2022, amounted to \$891,168 and \$575,055, 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 amounts. At June 30, 2023, and 2022, 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 balances as of June 30, 2023 and 2022, were \$370,183, and \$286,292, respectively, and have been included in accrued expenses in the accompanying statement of financial position.

Deferred rent

Rent expense is recognized in compliance with FASB ASC 840-10, Accounting for Leases, whereby the expense is accrued ratably over the life of the subject lease with the intent to even out the effect of rent holidays and scheduled rent increases. At June 30, 2022, the Organization's total deferred rent liabilities were \$95,555, and were included within deferred rent in the accompanying statement of financial position. There was no deferred rent as of June 30, 2023.

Revenue recognition

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

Feeding San Diego

Notes to Financial Statements

Revenue recognition, cont'd

give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give at June 30, 2023 and 2022.

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 – The Organization did not receive any In-Kind contributions in fiscal years 2023 and 2022.

The value allocated to rescued and donated food for the years ended June 30, 2023 and 2022, were at \$1.93 and \$1.92 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. These contributed services are not reflected in the financial statements.

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, 2023 and 2022, were \$187,460, and \$165,368, respectively, and these are included in the statement of activities.

Government grants

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. The Organization has contracts with the city, state, and federal agencies to provide a variety of program services to the public based on contract requirements, including procurement, reimbursement, staffing, and other requirements. These program services range from food procurement, employee severance, hunger relief programs, etc. These contracts from government agencies were determined to be conditional contributions and are recorded as revenue as the conditions are met, which is

Feeding San Diego

Notes to Financial Statements

Government grants, cont'd

generally when the related expenditures are incurred over the period the service is provided. As these are generally non-exchange contracts, amounts for billed unpaid services are included in contributions receivable in the accompanying statement of financial position. Advances are recorded as deferred revenue upon receipt. As of June 30, 2023 and 2022, the Organization had received \$1,351,005, and \$0, respectively, as cash advance, not yet expended and therefore, was recorded as deferred revenue at year end.

Funding sources may, at their discretion, request reimbursement for expenses or returns of funds, or both, as a result of noncompliance by the Organization with the terms of the grants or contracts. Additionally, if the Organization terminates its activities, all unearned revenue amounts are to be returned to the funding sources.

The Organization has received various governmental grants that are conditional in nature and the revenue can only be recognized once funds have been spent on qualifying costs. As of June 30, 2023 and 2022, the remaining amount of conditional promises to give under these governmental grants totaled approximately \$11,131,309 and 13,307,953, respectively.

Functional allocation of expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. Certain categories of expenses that are attributable to more than one function of the Organization require allocation on a reasonable basis that is consistently applied. Expenses are allocated in the following ways. Labor expenses are allocated on a pro rata share of work done whether it is for programs, general and administrative, or development departments. 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, 2023 and 2022, the Organization conducted fundraising activities that included appeals for contributions and incurred costs of \$517,386, and \$402,839, respectively. For the years ended June 30, 2023 and 2022, these activities included costs from direct mail campaigns totaling \$425,389, and \$402,839, respectively, and donor recognition costs totaling \$9,096 during 2023. Special event costs totaled \$52,405 for the year ended June 30, 2022. There were no special event costs for the year ended June 30, 2023.

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, 2023 and 2022, totaled \$642,556, and \$889,855, respectively.

Feeding San Diego

Notes to Financial Statements

Special events

To increase awareness and affinity towards the Organization now and in the future, three events were conducted during the years ended June 30, 2023. The first event was a stewardship and cultivation event that was complimentary and served as an update on the Organization's impact and encouraged continued support of the mission, with an appeal to continue support with year-end giving. The second was a ticketed fundraising event, Pairings with a Purpose, that hosted approximately 100 guests and raised funds to support the Organization's mission. The third event was a luncheon to cultivate relationships with donors who are considering leaving the Organization as a beneficiary in their wills or estate plans. All three events served as tools to increase awareness of hunger relief and the impact of the Organization's mission.

Income taxes

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

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

Recent accounting pronouncement - adopted

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities - Revenue Recognition (Topic 958-605). ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. This update assists entities in

- (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and
- (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the financial statements as of and for the year ended June 30, 2023. There was not a material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASC 842"). The update was issued to increase transparency and comparability for the accounting of lease transactions. The standard requires lessees to recognize leases with a term greater than 12 months on the balance sheet and disclose key information about leasing arrangements. ASC 842 is effective for the Organization for fiscal years beginning after December 15, 2021 and early application is

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Notes to Financial Statements

Recent accounting pronouncement – adopted, cont'd

permitted. The Organization adopted the new standard as of July 1, 2022, using the required modified retrospective approach. Comparative periods were not adjusted and continue to be presented under ASC 840. The Organization elected the package of practical expedients permitted under the ASC 842 transition guidance, which among other things, allowed it to carry forward the historical lease classification.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, an operating lease liability of \$3,423,954, which represents the present value of the remaining operating lease payments discounted using the risk-free rate and a right-of-use asset of \$2,891,547. The Organization also recognized on July 1, 2022, a lease liability at the carrying amount of the capital lease obligations on June 30, 2023, of \$ 103,958 and a right-of-use asset at the carrying amount of the capital lease asset of \$103,575.

The standard had a material impact on the Statement of Financial Position but did not have an impact on the Statement of Activities and Changes in Net Assets, nor Statement of Cash Flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged, See further discussion at Note 10.

(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:

	2023
Cash and cash equivalents	\$ 5,233,971
Less: Organization reserve	-
Cash available to meet general expenditures	5,233,971
Accounts receivable	259,877
Pledges receivable	50,000
Total Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 5,543,848</u>

(3) Inventory

Inventory consists of the following at June 30:

	2023	2022
Rescued and donated food	\$ 613,869	\$ 256,226
Donated produce inventory	-	238,088
Purchased commodities	124,442	744,493
Total Inventory	<u>\$ 738,311</u>	<u>\$ 1,238,807</u>

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Notes to Financial Statements

(4) Property and Equipment

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

	2023	2022
Building Improvements	\$ 1,349,577	\$ -
Machinery, equipment, and vehicles	-	3,061,413
Cold storage and leasehold improvements	-	1,648,953
Equipment & Software	5,076,894	377,354
Furniture and fixtures	105,300	105,300
Construction in Progress	440,628	672,563
Total Property and Equipment, at Cost	<u>6,972,399</u>	<u>5,865,583</u>
Less: Accumulated depreciation	<u>(2,663,893)</u>	<u>(2,052,395)</u>
Property and Equipment, at Net Book Value	<u>\$ 4,308,506</u>	<u>\$ 3,813,188</u>

(5) 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, 2023 and 2022, employer contributions were \$110,146, and \$90,004, respectively. 401(k) Plan administrative expenses for the years ended June 30, 2023 and 2022, were approximately \$6,866, and \$6,912, respectively.

(6) 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, 2023 and 2022, consist of the following:

	2023	2022
Capacity Building	\$ 737,752	\$ 1,003,000
Food Purchases	500,000	45,175
General Organizational Assistance	146,181	238,004
Military Family Program	52,083	-
School Pantry Program	-	224,000
SNAP Application Assistance & Capacity	-	115,000
Mobile Pantry Program	-	100,000
Marketing Program	-	62,500
College Pantry Program	-	50,000
Produce Pantry Program	-	50,000
Total Net Assets with Donor Restrictions	<u>\$ 1,436,016</u>	<u>\$ 1,887,679</u>

Feeding San Diego

Notes to Financial Statements

(7) 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.

(8) Risks and Uncertainties

The Organization maintains cash balances at one financial institution. At June 30, 2023, 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, 2023 and 2022, totaled approximately \$4,612,546, and \$9,640,162, respectively.

(9) Related Party Transactions

During the years ended June 30, 2023 and 2022, the Organization received \$167,155, and \$141,751, respectively, in giving from members of the Board of Directors. Also, a member of the Board of Directors is a member of the Board of Directors of a certain donor. This donor provided \$4,050,000, and \$3,000,000, of contributions during the years ended June 30, 2023 and 2022, respectively.

(10) Leases

The Organization leases trucks, printers, and a warehouse. Our leases have remaining lease terms of up to 5 years. As of June 30, 2023, assets recorded under finance leases were approximately \$111,103 and accumulated amortization associated with finance leases was approximately \$27,995.

The components of lease expense were as follows:

June 30, 2023

Operating Lease Cost	<u>\$ 619,097</u>
Finance Lease Cost:	
Amortization of right of use assets	27,995
Interest of lease liabilities	<u>9,377</u>
Total finance lease cost	<u>\$ 37,372</u>

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Notes to Financial Statements

Leases, cont'd

Other supplemental cash flows information related to leases was as follows:

June 30, 2023

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 680,987
Financing cash flows from finance leases	25,243
Operating cash flows from finance lease	9,377

Right of use assets obtained in exchange for lease liabilities:

Finance	\$ 27,612
Operating	-

Weighted-average remaining lease term:

Operating leases	4.08
Finance leases	3.13

Weighted-average discount rate:

Operating leases	2.88%
Finance leases	10.07%

Finance Lease

The Organization leases one of its trucks from Ryder Truck Rental, Inc. under a finance lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities.

The lease agreement contains a bargain purchase option at the end of the lease term.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of February June 30, 2023:

Year Ending June 30:	
2024	\$ 25,811
2025	29,041
2026	18,580
Total future minimum lease payments	<u>73,432</u>
Amount representing interest	<u>(9,214)</u>
Present value of minimum lease payments	<u>\$ 64,218</u>

The Organization leases one of its printers from Sharp under a finance lease. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities.

Feeding San Diego

Notes to Financial Statements

Finance Lease cont'd

The lease agreement contains a bargain purchase option at the end of the lease term.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2023:

Year Ending June 30:		
2024	\$	5,183
2025		5,364
2026		5,550
2027		5,742
2028		4,436
Total future minimum lease payments		<u>26,275</u>
Amount representing interest		<u>(163)</u>
Present value of minimum lease payments	\$	<u>26,112</u>

Operating leases

The Organization leases warehouse and office space and office equipment expiring through August 2027. Total rent expense, including common area maintenance charges, related to such operating leases for the years ended June 30, 2023 and 2022, amounted to \$387,824 and \$822,828, respectively. Future aggregate minimum annual rental payments under these noncancelable leases as of June 30 are as follows:

2024	\$	629,056
2025		668,679
2026		709,897
2027		752,955
2028		63,877
Total Future Minimum Lease Payments	\$	<u>2,824,464</u>

(11) Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of March 27, 2024, which is the date the financial statements were available to be issued.