

MERCED COUNTY FOOD BANK, INC.
(A NONPROFIT CORPORATION)

Financial Statements

June 30, 2019

MERCED COUNTY FOOD BANK INC.
WINTON, CALIFORNIA

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DAVID D. BRUNER, CPA
ACCOUNTANCY CORPORATION

3183 COLLINS DRIVE, SUITE A
MERCED, CA 95348

PHONE: (209) 384-3343
FAX: (209) 384-3353
DAVIDBRUNERCPA@YAHOO.COM

Independent Auditor's Report

To the Board of Directors
Merced County Food Bank, Inc.
(A Nonprofit Corporation)
Winton, California

We have audited the accompanying statements of financial position of the Merced County Food Bank, Inc. (a Nonprofit Corporation), which comprise the statements of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 in the first paragraph present fairly, in all material respects, the financial position of the Merced County Food Bank, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

David D. Bruner CPA, Inc.

Merced, California
June 2, 2020

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Statement of Financial Position
June 30, 2019

Assets

Current assets:

Cash and cash equivalents	\$ 584,842
Receivables	-
Inventory - donated (Note 5)	<u>4,485,942</u>
Total current assets	\$ 5,070,784

Property and equipment, net of accumulated
depreciation (Note 3)

57,925

Total assets

\$ 5,128,709

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	81,600
Customer overpayments	3,201
Accrued salaries	13,677
Accrued vacation	5,947
Accrued payroll taxes	<u>5,266</u>

Total current liabilities

\$ 109,691

Net Assets:

Unrestricted:

Without donor restrictions

4,864,568

Restricted:

With donor restrictions

154,450

Total net assets

\$ 5,019,018

Total liabilities and net assets

\$ 5,128,709

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Statement of Activities and Changes in Net Assets
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Contributions and corporate grants	\$ 138,220	\$ 386,900	\$ 525,120
In-kind contributions - food products (Note 5)	5,360,738	-	5,360,738
Government grants (Note 6)	-	-	-
Pantry sales	102,998	-	102,998
Fundraising	84,402	-	84,402
Brown bag program	-	7,412	7,412
TFAP Income	89,909	-	89,909
California Food reimbursement	39,963	-	39,963
Merced County reimbursement	39,054	-	39,054
USDA	-	6,557	6,557
UC Merced salary reimbursement	12,866	-	12,866
Sale of assets	1,250	-	1,250
Miscellaneous income	3,975	-	3,975
Net assets released from restrictions	360,869	(360,869)	-
Total revenues and other support	<u>\$ 6,234,244</u>	<u>\$ 40,000</u>	<u>\$ 6,274,244</u>
Expenses			
Program services			
Food assistance	4,375,411	-	4,375,411
Total program services	<u>\$ 4,375,411</u>	<u>\$ 0</u>	<u>\$ 4,375,411</u>
Supporting services			
Management and general	272,892	-	272,892
Fundraising	12,970	-	12,970
Total program services	<u>285,862</u>	<u>-</u>	<u>285,862</u>
Total expenses	<u>\$ 4,661,273</u>	<u>\$ 0</u>	<u>\$ 4,661,273</u>
Change in net assets	1,572,971	40,000	1,612,971
Net assets:			
Net assets at beginning of year	3,316,936	114,450	3,431,386
Prior period adjustment (Note 9)	(25,339)	-	(25,339)
Net assets at end of year	<u>\$ 4,864,568</u>	<u>\$ 154,450</u>	<u>\$ 5,019,018</u>

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Statement of Functional Expenses
June 30, 2019

	Program Services	Fundraising Expense	Management and General	Totals
Salaries and wages	\$ 336,281	\$ -	144,121	480,402
Payroll taxes	33,272	-	14,260	47,532
Total salaries and related expenses	369,553	-	158,381	527,934
Auto expense	67,835	-	15,912	83,747
Bank charges	-	-	881	881
Cleaning program	3,421	-	1,141	4,562
Computer software	-	-	1,580	1,580
Development	-	-	6,444	6,444
Donations	-	-	9,170	9,170
Dues and subscriptions	-	-	450	450
Equipment rental	875	-	-	875
Food acquisition costs	15,237	-	-	15,237
Fundraising expense	-	12,970	-	12,970
Grant expense	27,000	-	-	27,000
In-kind food donation (Note 5)	3,651,015	-	-	3,651,015
Insurance	40,899	-	12,915	53,814
Interest	361	-	-	361
Licenses, fees and permits	819	-	670	1,489
Marketing	-	-	3,808	3,808
Meals	-	-	5,605	5,605
Office supplies	4,575	-	3,595	8,170
Outside cold storage	34,754	-	-	34,754
Outside services	8,981	-	-	8,981
Pest control	3,317	-	-	3,317
Professional services	-	-	18,463	18,463
Rent	54,000	-	18,000	72,000
Repairs and maintenance	5,050	-	-	5,050
Security	1,131	-	-	1,131
Supplies	8,663	-	-	8,663
Taxes	-	-	229	229
Telephone expense	1,198	-	1,798	2,996
Travel	9,867	-	4,229	14,096
Utilities	36,191	-	9,621	45,812
Total operating expenses	3,975,189	12,970	114,511	4,102,670
Total expenses before depreciation	4,344,742	12,970	272,892	4,630,604
Depreciation	30,669	-	-	30,669
Total expenses	\$ 4,375,411	\$ 12,970	\$ 272,892	\$ 4,661,273

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Statement of Cash Flows
June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 1,612,971
Adjustments:	
Depreciation	30,669
Decrease in accounts receivable	9,027
Increase in inventory	(1,709,723)
Increase in accounts payable	53,040
Decrease in accrued salaries	(456)
Increase in accrued vacation	231
Increase in payroll tax liabilities	<u>4,089</u>
Net cash used by operating activities	<u>(152)</u>
 Cash flows from investing activities:	
Purchase of fixed assets	<u>(27,853)</u>
Net cash used by investing activities	<u>(27,853)</u>
 Cash flows from financing activities:	
Net cash provided by financing activities	<u>-</u>
Net decrease in cash and cash equivalents	(28,005)
Cash and cash equivalents as of beginning of year	<u>612,847</u>
Cash and cash equivalents as of end of year	<u><u>\$ 584,842</u></u>
 Supplemental data:	
Interest paid during the year	\$ 361
Taxes paid during the year	229

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
June 30, 2019

Note 1 Summary of Significant Accounting Principles

General

This summary of significant accounting policies of the Merced County Food Bank (the Organization), Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization

The Merced County Food Bank, Inc. is a non-profit public benefit corporation incorporated in the State of California for the purpose of providing food for needy individuals and families in the Merced County area of California.

Significant Accounting Policies

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as:

- Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.
- With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of the Organization or by the passage of time.

The Organization has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restriction class.

Classification of Transactions

All revenues and net gains are reported as increases in without donor restrictions in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in without donor restrictions.

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
June 30, 2019

Note 1 Summary of Significant Accounting Principles

Income Tax Status

The Merced County Food Bank, Inc. is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Merced County Food Bank has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Organization's tax filings are subject to audit by various taxing authorities. The Organization's federal tax returns for 2017, 2018 and 2019 remain open to examination by the Internal Revenue Service; state income tax returns for 2016, 2017, 2018 and 2019 are open to examination. In evaluating the Organization's tax provisions and accruals, the Organization believes that its estimates are appropriate based on current facts and circumstances.

Property and Equipment

Purchased property and equipment is recorded at cost and donated equipment at its fair market value at the date of donation. Donations of property and equipment are reported as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Depreciation

Depreciation of property and equipment is provided on the straight-line method over the following useful lives:

Building	39 years
Improvements	7-15 years
Office equipment	3-7 years
Warehouse equipment	3-7 years
Vehicles	5-7 years

Donated Services

A substantial number of volunteers donated significant amounts of their time in the organization's behalf; however, amounts have not been reflected in the statements for donated services since an objective basis is not available to measure the value of such services.

Contributions

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 or permanently restricted support. When restrictions expire, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no restricted contributions received during this reporting period.

Contributed items and services are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of items and services are recorded as unrestricted support. The Organization did not receive any contributed items and services during the year ended June 30, 2019.

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
June 30, 2019

Note 1 Summary of Significant Accounting Principles

Inventory

Donated food is capitalized as inventory and recorded at the average handling fee times the number of pounds. In addition to donated food, the Merced County Food Bank also maintains an inventory of purchased food which is recorded at cost. Upon distribution, the food is recorded as a decrease in unrestricted net assets and as food expense.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts.

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising.

Functional Allocation of Expenses

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

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. Restricted cash is limited in use to payment for grant approved food expenses.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
June 30, 2019

Note 1 Summary of Significant Accounting Principles (continued)

Liquidity and Availability

The Organization has \$584,842 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$584,842 as of June 30, 2019. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 2. Program Services

Merced County Food Bank major programs are as follows:

Senior Brown Bag - Provides nutritious supplemental groceries to about 3,400 senior citizens in the Merced County area.

Food Assistance - The Food Bank is in partnership with 100 area pantries and manages 24 USDA food distribution sites. In October of 2004, the Merced County Food Bank opened its doors to a new site, 2000 W. Olive Avenue, Merced, providing 32,000 square feet of storage space with a small freezer and huge walk-in refrigeration capacity. With a major contribution from the Merced County Board of Supervisors, they installed a large walk-in freezer in 2010.

Note 3. Property and Equipment

A summary of property and equipment at June 30, 2019 follows:

	<u>2019</u>
Autos and trucks	\$ 21,750
Leasehold improvements	141,327
Machinery and equipment	91,499
Office equipment	48,450
Property, plant and equipment	<u>2,404</u>
	305,430
Less: Accumulated depreciation	<u>247,505</u>
	<u>\$ 57,925</u>

MERCED COUNTY FOOD BANK, INC.
 (A Nonprofit Corporation)
 Notes to Financial Statements
 June 30, 2019

Note 4. Fair Value Measurements

ASC 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs - consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

Level 2 inputs - inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3 inputs - unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At June 30, 2019, Merced County Food Bank does not have any investments.

Note 5. In-Kind Contributions

A substantial amount of food is donated to the Organization. Valuation of food is at its estimated fair market value using studies conducted by Feeding America and regional food banks, who estimate that their contributed foods mix is valued at \$1.72 per pound for the year ended June 30, 2019. A total of 3,116,708 pounds of food were donated to the Organization for the year ended June 30, 2019. Distributions to recipient organizations and programs totaled 2,426,524 pounds for the year ended June 30, 2019.

Note 6. Government Grants

The Organization received government grants as follows:

Year ending June 30, 2019	<u>Program</u>
	Food Assistance
<u>Granting Agency</u>	
FEMA	\$ -
USDA	<u>13,969</u>
	<u>\$ 13,969</u>

MERCED COUNTY FOOD BANK, INC.
(A Nonprofit Corporation)
Notes to Financial Statements
June 30, 2019

Note 7. Concentration of Credit Risk

The Organization maintains its cash balances in various financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018, the balance on deposit did not exceed FDIC limits on any account at any bank, except for the Compass account for the general fund. Additional insurance is provided by the bank to cover this amount.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets were \$159,450 at June 30, 2019. These funds are restricted for food purchases and mileage.

Note 9. Prior Period Adjustments

The prior period adjustment relates to a change in the fixed assets beginning balance.

Note 10. Change in Presentation

The Organization adopted Accounting Standards Update 2016-14 (ASU 2016-14) during the year ended June 30, 2019. ASU 2016-14 requires net assets to be presented as 'without donor restrictions' and 'with donor restrictions' on the statement of financial position. Also, on the statement of activities, the columns will be labeled as 'without donor restrictions' and 'with donor restrictions'. Prior to adoption, the net assets on the statement of financial position were presented as unrestricted, temporarily restricted, and permanently restricted. There were no changes in the net asset classes and there were no reclassifications.

Note 11. Subsequent Events

Subsequent events have been evaluated through June 2, 2020, which is the date the financial statements were available to be issued. No subsequent events were found that need to be recorded. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.