

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To Board of Directors Feeding America Riverside/ San Bernardino

Report on the Financial Statements

We have audited the accompanying financial statements of **Feeding America Riverside/ San Bernardino**, which comprise the statements of financial position as of June 30, 2020, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 above present fairly, in all material respects, the financial position of **Feeding America Riverside/ San Bernardino** as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Food Received and Distributed is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying

accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2021, on our consideration of **Feeding America Riverside/ San Bernardino's** internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Feeding America Riverside/ San Bernardino's internal control over financial reporting and compliance.



Suchan & Associates
An Accountancy Corporation

Rancho Cucamonga, California
January 21, 2021

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

CURRENT ASSETS

Cash (Note 3)	\$ 4,353,775
Accounts receivable (Note 2)	11,674
Grants receivable (Note 2)	484,795
Food inventories (Notes 2 and 5)	1,858,887
Prepays expenses	<u>36,822</u>

Total Current Assets **6,745,953**

RESTRICTED DEPOSITS (Notes 3 and 4)

Cash - Capital funds	148,624
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PROPERTY AND EQUIPMENT (Notes 2, 6 and 7) 400,721

OTHER ASSETS

Deposits	<u>6,800</u>
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Total Assets **\$ 7,302,098**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses (Note 8)	\$ 132,601
Deferred revenue (Note 2)	94,086
Refundable advances (Note 2)	230,000
Line of credit, current (Note 7)	<u>40,000</u>

Total Current Liabilities **496,687**

NON-CURRENT LIABILITIES

Line of credit, net of current (Note 7)	<u>60,000</u>
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Total Liabilities **556,687**

NET ASSETS

Net assets without donor restrictions (Note 2)	4,299,964
Net assets without donor restrictions - board designated (Note 2)	<u>37,500</u>
Net assets without donor restrictions	<u>4,337,464</u>

Net assets with donor restrictions (Notes 2 and 4)	524,995
Net assets with donor restrictions- in-kind (Note 5)	<u>1,882,952</u>

Total Net Assets With Donor Restrictions **2,407,947**

Total Net Assets **6,745,411**

Total Liabilities and Net Assets **\$ 7,302,098**

The accompanying Notes to Financial Statements
are an integral part of this statement

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

		With Donor Restrictions		
	Without Donor Restrictions	Cash Activity	Non-cash Inkind Activity	Total
PUBLIC SUPPORT AND REVENUES				
Support and Revenues				
Contributions	\$ 3,885,247	\$ 390,445	\$ -	\$ 4,275,692
Special events	81,935	-	-	81,935
United Way	72,702	-	-	72,702
Total Support and Revenues	4,039,884	390,445	-	4,430,329
Government grants				
Government grants	924,073	-	5,176,280	6,100,353
In-kind food contributions	-	-	31,592,559	31,592,559
Total Government Grants	924,073	-	36,768,839	37,692,912
Other Revenue				
Shared maintenance	925,577	-	-	925,577
Interest	957	-	-	957
Recycling	1,675	-	-	1,675
Other income	16,663	-	-	16,663
Total Other Revenue	944,872	-	-	944,872
Subtotal	5,908,829	390,445	36,768,839	43,068,113
Net assets released from restrictions				
Restrictions satisfied by use	36,939,776	(354,906)	(36,584,870)	-
TOTAL REVENUES	42,848,605	35,539	183,969	43,068,113
EXPENSES				
Program services	38,900,990	-	-	38,900,990
Supporting services	589,653	-	-	589,653
Fundraising	235,130	-	-	235,130
Total Expenses	39,725,773	-	-	39,725,773
Total Operating Income (Loss)	3,122,832	35,539	183,969	3,342,340
NON-OPERATING INCOME (LOSS)				
Gain (loss) on sale of assets	7,726	-	-	7,726
Change in net assets	3,130,558	35,539	183,969	3,350,066
Net Assets, beginning of year	1,206,906	489,456	1,698,983	3,395,345
Net Assets, end of year	\$ 4,337,464	\$ 524,995	\$ 1,882,952	\$ 6,745,411

The accompanying Notes to Financial Statements
are an integral part of this statement

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Programs Services	Support Services		
	Food Distribution	General and Admin.	Fund Raising	Total
Salaries and wages	\$ 809,774	\$ 341,623	\$ 113,875	\$ 1,265,272
Payroll taxes	60,147	25,373	8,459	93,979
Employee benefits	117,799	49,696	16,566	184,061
Consulting and staffing	3,603	1,520	507	5,630
Professional fees	59,285	8,084	12,000	79,369
Supplies	335,491	20,827	39,617	395,935
Telephone	15,113	6,376	2,125	23,614
Transportation	55,274	7,537	-	62,811
Postage	2,889	394	5,104	8,387
Printing	2,595	-	21,440	24,035
Occupancy	406,916	57,447	14,362	478,725
Insurance	31,353	4,275	-	35,628
Equipment rental and maintenance	110,714	15,566	-	126,280
Travel and conference	2,327	317	-	2,644
Dues and subscriptions	-	20,217	-	20,217
Food purchases	95,902	-	-	95,902
Miscellaneous	7,645	3,225	1,075	11,945
Total Expenses Before Depreciation and In-kind	2,116,827	562,477	235,130	2,914,434
In-kind food donations	36,584,870	-	-	36,584,870
Depreciation	199,293	27,176	-	226,469
Total Functional Expenses	\$ 38,900,990	\$ 589,653	\$ 235,130	\$ 39,725,773

The accompanying Notes to Financial Statements
are an integral part of this statement

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

STATEMENT OF CASH FLOWS

Year ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 3,350,066
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities)</i>	
Depreciation expense	226,469
Gain on disposition of assets	(7,726)
(Increase) decrease in assets:	
Inventory	(183,968)
Accounts receivable	(11,376)
Grants receivable	(203,820)
Prepaid expenses	23,870
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(24,103)
Deferred revenue	30,415
Refundable advances	230,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,429,827</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from restricted CD	65,281
Proceeds from sale of fixed assets	8,000
Payments for purchase of fixed assets	<u>(246,232)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(172,951)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on long term debt	<u>(60,000)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(60,000)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	3,196,876
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BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>1,305,523</u>
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>\$ 4,502,399</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the years for:

Interest	\$ -
Income tax	\$ -

The accompanying Notes to Financial Statements
are an integral part of this statement

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2020

1. ORGANIZATION

Feeding America Riverside/ San Bernardino, (Organization), is a nonprofit public benefit corporation formed in January 1984 for the purpose of receiving food products solely to, or for the benefit of the needy, the infirmed, aged and infants residing within the counties of Riverside and San Bernardino, California. The Organization is affiliated with Feeding America, a national hunger relief organization.

Feeding America Riverside/ San Bernardino is the primary source of food for over 600 charities and nonprofit organizations, distributing over 2.5 million pounds of food monthly to emergency food pantries, homeless shelters, soup kitchens, day care centers, halfway houses, senior food programs, residential treatment centers, shelters for the abused, after school programs and group homes. More than 400,000 individuals are served each month.

On January 30, 2020, the World Health Organization declared the Coronavirus outbreak (COVID-19) A "PUBLIC Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The impact of COVID-19 has affected Feeding America Riverside/San Bernardino's operations, donors, suppliers, vendors, and other stakeholders. Feeding America Riverside/San Bernardino's financial statements reflect significant increases to certain balances (cash, contributions, government grants, net assets, etc.) as a result of the public response to COVID-19 in the last few months of the fiscal year.

The extent to which the pandemic impacts Feeding America Riverside/San Bernardino's activities and results in fiscal year 2021 and beyond will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus and its impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

Accounts/Grants Receivable and Bad Debts

Accounts and grants receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Contributions

Contributions, including unconditional promises to give or contributions receivable, are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions, in the period the donor's commitment is received.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net asset without donor restrictions class.

Donated food products are redistributed by the Organization to its charitable beneficiaries and, accordingly, these donations have been recorded in the financial statements as contributions at a predetermined estimated fair market value.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Donated Services

No amounts have been reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's operations.

Inventories

Due to the pass-through nature of the food products received, inventories cost of goods sold is not recorded in the financial statements except as in-kind expense items. The donated inventory is valued at fair market value as an increase to inventory and donated in kind when received. The disbursed inventory is recorded as reduction of inventory and an in-kind expense when distributed to local nonprofits or other qualified agencies.

Capitalization and Depreciation

Depreciation of furniture and equipment is computed by the straight-line method over 3 - 7 years. Leasehold improvements are capitalized and amortized over the term of the lease or the estimated useful life of the improvements, whichever is less. Betterments that materially add to the value of related assets or materially extend the useful life of assets are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Property and equipment purchased over \$5,000 is capitalized. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Net Assets (Deficit) - The net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization. As of June 30, 2020, the board has restricted a net balance of \$37,500 for operating reserves.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions.

Refundable Advances

Conditional contributions in which a barrier exists and has not been overcome.

The Organization received a PPP loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The PPP balance of \$225,000 is recognized as a refundable advance as of June 30, 2020, as conditions have not been met.

Cash and Cash Equivalent

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Revenue

Partner prepaid shared maintenance for food pantry.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were utilized in preparing the financial statements.

Advertising Costs

The Organization utilizes many forms of self-promotion and advertising as part of its fundraising activities. All costs are expensed as incurred.

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 programs and supporting services benefited. Indirect costs are charged based on payroll allocations or occupancy percentage, as applicable.

Adoption of Accounting Pronouncements

On July 1, 2019, Feeding America Riverside/ San Bernardino adopted Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU changes the presentation and disclosure of cash, cash equivalents and restricted cash or restricted equivalents (Cash) in the statement of cash flows. The ASU requires restricted cash and cash equivalents to be included in beginning and ending cash in the statement of cash flows. The ASU does not change the definitions of restricted cash or restricted cash equivalents. Previous U.S. GAAP allowed changes in restricted cash to be shown as investing activities. The adoption of this standard had no significant impact on the financial statements.

On July 1 2019, Feeding America Riverside/San Bernardino adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Adoption of this standard had no significant impact on the financial statements.

Feeding America Riverside/San Bernardino adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as it related to resource recipients, effective July 1, 2019. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions.

New Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for Feeding America Riverside/San Bernardino's 2023 financial statements. Early adoption is permitted.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

New Accounting Pronouncements (continued)

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for Feeding America Riverside/San Bernardino's fiscal year 2022 financial statements. Early adoption is permitted.

3. CASH, RESTRICTED DEPOSITS AND EQUIVALENTS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the amounts shown in the statement of cash flows:

Cash - operating	\$ 4,353,775
Cash - restricted	148,624
Cash, Cash Equivalents & Restricted Cash	
at End of Year	<u>\$ 4,502,399</u>

4. RESTRICTIONS ON NET ASSETS

Restricted cash in the amount of \$148,624 is held and separate for the building fund.

Included in cash and the certificate of deposit are donor restricted deposits which consist of the following restrictions:

Use Restrictions	
Current use restrictions	
Program	\$ 188,400
Equipment	1,500
Long term use restriction	
Building fund	335,095
Total Use Restrictions	<u>\$ 524,995</u>

Feeding America Riverside/ San Bernardino received permission from the donor of the building fund to temporarily utilize the building fund to assist in the short term operating cash flow. This is to be re-funded and utilized for the purchase of a new building.

5. FOOD INVENTORIES

Donated food inventories are stated at the nationally calculated average price per pound of \$1.62 as of June 30, 2020. This average per pound is based on an independent study by Feeding America. Purchased food is valued at cost. USDA commodities are stated at the value assigned by USDA.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2020

5. FOOD INVENTORIES – (continued)

Food inventory consists of the following:

Purchased	\$ -
Donated	1,265,879
USDA commodities	593,008
Total Food Inventory	<u>\$ 1,858,887</u>

6. PLANT AND EQUIPMENT

Property and equipment consist of the following:

	Beginning Balance June 30, 2019	Additions	Deletions	Ending Balance June 30, 2020
Transportation and Warehouse Equipment	\$ 1,937,469	227,920	12,056	\$ 2,153,333
Office Equipment	119,085	18,312	-	137,397
Leasehold Improvements	49,727	-	-	49,727
Total Fixed Assets	2,106,281	246,232	12,056	2,340,457
Accumulated Depreciation	1,725,049	226,469	11,782	1,939,736
Net Book Value	381,232	19,763	274	400,721
Net Property and Equipment	\$ 381,232	\$ 19,763	\$ 274	\$ 400,721

Depreciation expense for the fiscal year ended June 30, 2020, totaled \$226,469.

The depreciation policies followed by the Organization are described in Note 2.

All current and future assets of the Organization are pledged as security against debt described in note 8.

7. LINE OF CREDIT

\$300,000 revolving line of credit payable to Feeding America National dated June 24, 2015, was amended on August 30, 2017. The amended agreement reduced the maximum availability to \$160,000 with an expiration date of June 30, 2019 and a maturity date of June 30, 2020. On July 2, 2019, a second amendment was executed with a new maturity date of January 31, 2023, in which no interest will be charged through the new maturity date. Semi-annual payments of \$20,000 are due beginning July 31, 2019. The line of credit is secured by all current and future personal property owned by the Organization. Feeding America Riverside/ San Bernardino is also required to be in full compliance with Feeding America National's compliance requirements over the loan term.

Line of credit balance, June 30, 2020	\$ 100,000
Less Current Portion	40,000
Total, noncurrent	<u>\$ 60,000</u>

Principal repayment schedules are as follows:

Years Ending June 30,

2021	\$ 40,000
2022	40,000
2023	20,000
TOTAL	<u>\$ 100,000</u>

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2020

8. COMPENSATED ABSENCES / ACCRUED VACATION

Employees accrue paid time off based on position and length of service. Included in accrued expenses is unpaid vacation as of June 30, 2020, in the amount of \$84,577.

9. COMMITMENTS AND CONTINGENCIES

Litigation

Feeding America Riverside/ San Bernardino periodically experiences litigation during the normal course of its operations. Management is currently not aware of any pending or threatened litigation.

Lease Obligations

Feeding America Riverside/ San Bernardino leases its warehouse and office facility with a non-cancellable operating lease agreement. The lease expires May 31, 2022. The agreement generally requires Feeding America Riverside/ San Bernardino to pay common area operating expenses. Total lease payments for the year ended June 30, 2020, was \$371,966.

The following is a schedule by year of future minimum rental payments required under the operating lease agreements:

Property lease commitments:

2021	\$	346,632
2022		385,704
2023		-
2024		-
2025		-
TOTAL	\$	<u><u>732,336</u></u>

10. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject Feeding America Riverside/ San Bernardino to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The balance in these accounts may, at times, exceed federally insured limits; however, the Organization does not believe it is subject to any significant credit risk as a result of these deposits. At June 30, 2020, Feeding America Riverside/ San Bernardino had approximately \$3,951,471 in excess of FDIC insured limits.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2020

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Financial assets at year end:

Cash and cash equivalents	\$ 4,353,775
Accounts receivables	11,674
Grants receivables	484,795
Restricted deposits	148,624
Total financial assets available	4,998,868

Less amounts not available for general expenditures within one year:

Contractual or donor-imposed restrictions:

Program restrictions	188,400
Donor restricted purchase equipment	1,500
Donor restricted to purchase building	335,095

Board designations:

Board designated reserves for operating reserves	37,500
Total financial assets not available	562,495
Financial assets available to meet general expenditures over the next twelve months	\$ 4,436,373

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

12. SUBSEQUENT EVENTS

Feeding America Riverside/ San Bernardino has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2020, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 21, 2021, the date these financial statements were available to be issued.

On December 17, 2020, the PPP loan recorded as a refundable advance in the amount of \$225,000 was fully forgiven.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through I.D. Number	Federal Expenditures
U.S. Department of Agriculture			
California Department of Social Services			
COVID-19 Emergency Food Assistance Program	10.568	15-MOU-00133	332,467
Emergency Food Assistance Program - Administration	10.568	15-MOU-00133	507,147
Total Emergency Food Assistance Program - Administration			<u>839,614</u>
 Emergency Food Assistance Program - Food Commodities	 10.569	 15-MOU-00133	 <u>5,176,280</u>
Total Food Distribution Cluster			<u>6,015,894</u>
 California Association of Food Banks			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	18-7013	14,416
 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	 10.561	 16-SUB-00965	 <u>5,931</u>
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>20,347</u>
 Department of Homeland Security			
COVID-19 Emergency Food and Shelter National Board Program	97.024	082000-205	<u>8,551</u>
 Total			<u>\$ 6,044,792</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Feeding America Riverside/ San Bernardino under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Feeding America Riverside/ San Bernardino, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Feeding America Riverside/ San Bernardino.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Feeding America Riverside/ San Bernardino has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Non-monetary assistance is reported at the fair value of the commodities received and distributed. At June 30, 2020, Feeding America Riverside/ San Bernardino had USDA food commodities totaling \$593,008 in inventory.

See Independent Auditor's Report

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors
Feeding America Riverside/ San Bernardino**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Feeding America Riverside/ San Bernardino** (a nonprofit organization); which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Feeding America Riverside/ San Bernardino's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Feeding America Riverside/ San Bernardino's internal control. Accordingly, we do not express an opinion on the effectiveness of the Feeding America Riverside/ San Bernardino's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Feeding America Riverside/ San Bernardino's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Feeding America Riverside/ San Bernardino's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

Feeding America Riverside/ San Bernardino's Response to Finding

Feeding America Riverside/ San Bernardino's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Feeding America Riverside/ San Bernardino's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Feeding America Riverside/ San Bernardino's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Feeding America Riverside/ San Bernardino's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Suchan + Associates

**Suchan & Associates
An Accountancy Corporation**

**Rancho Cucamonga, California
January 21, 2021**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors
Feeding America Riverside/ San Bernardino**

Report on Compliance for Each Major Federal Program

We have audited Feeding America Riverside/ San Bernardino's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of Feeding America Riverside/ San Bernardino's major federal programs for the year ended June 30, 2020. Feeding America Riverside/ San Bernardino's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Feeding America Riverside/ San Bernardino's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about Feeding America Riverside/ San Bernardino's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination of Feeding America Riverside/ San Bernardino's compliance.

Opinion on Each Major Federal Program

In our opinion, Feeding America Riverside/ San Bernardino complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

Feeding America Riverside/ San Bernardino's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Feeding America Riverside/ San Bernardino's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Feeding America Riverside/ San Bernardino is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Feeding America Riverside/ San Bernardino's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Feeding America Riverside/ San Bernardino's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Suchan & Associates
An Accountancy Corporation

Rancho Cucamonga, California
January 21, 2021

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of **Feeding America Riverside/ San Bernardino**.
2. There were no significant deficiencies or material weaknesses disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of **Feeding America Riverside/ San Bernardino** were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for **Feeding America Riverside/ San Bernardino** expresses an unmodified opinion.
6. Audit findings, if any, that are required to be reported in accordance with 2 CFR section 200.516(a) relative to the major federal award programs for Feeding America Riverside/ San Bernardino are reported in this Schedule.
7. The programs tested as major programs:
Food Distribution Cluster
USDA – Emergency Food Assistance Program (food commodities) CFDA No. 10.569
USDA – Emergency Food Assistance Program (administrative costs) CFDA No. 10.568
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. **Feeding America Riverside/ San Bernardino** was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FINDING NO. 2020-001 USDA – EMERGENCY FOOD ASSISTANCE PROGRAM CFDA No. 10.569

Condition:

One distribution site (out of sample of 6 from the population of 32) did not have a current signed TEFAP agreement on file with the Organization as required.

Criteria:

Pursuant to Title 7 CFR part 251.2(c)(2) the Organization must have written agreements with their distribution sites before a distribution site may receive USDA commodities.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

June 30, 2020

FINDING NO. 2020-001 USDA – EMERGENCY FOOD ASSISTANCE PROGRAM CFDA No. 10.569

Effect:

The Organization was not compliant with TEFAP policies and procedures to have written agreements with distribution sites prior to receiving USDA Commodities.

Questioned Costs: None identified

Context:

During the major program testing, it was determined that one distribution site sampled did not have a current TEFAP agreement on file. The Organization generally confirms current TEFAP agreements during the annual site inspection. In response to the missing agreement, the Organization then reviewed all distribution site files and determined that all other files included the current TEFAP agreement.

Cause:

The Organization did not obtain an updated TEFAP agreement from one distribution site during the time of the site inspection.

Recommendation:

The Organization should implement new policies and procedures to ensure all required documentation is on file for USDA distribution sites.

View of Responsible Officials and Planned Corrective Actions:

The Organization agrees with this finding and will adhere to the corrective action plan on page 22 in this audit report.

Response:

The omitted TEFAP agreement with the distribution site was subsequently signed on December 17, 2020. A new policy has been implemented to update USDA contracts at the start of the year, rather than waiting for the time of the site inspection. During the site inspection any open items will be finalized. A new tracking system will be set in place to review throughout the year and again at year-end to ensure that all files are complete and updated.

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO

SUMMARY OF PRIOR YEAR FINDINGS

June 30, 2020

FINANCIAL STATEMENT AUDIT

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CORRECTIVE ACTION PLAN

June 30, 2020

USDA Emergency Food Assistance Program

Feeding America Riverside/ San Bernardino, respectfully submits the following Corrective Action Plan for the year ended June 30, 2020.

Name and address of independent public accounting firm: Suchan & Associates, An Accountancy Corporation, 8588 Utica Ave., Suite 100, Rancho Cucamonga, CA 91730

Audit Period: July 1, 2019 through June 30, 2020

The finding from the 2020 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistent with the number assigned on the schedule. Section A of the Schedule, Summary of Audit Results does not include findings and is not addressed.

FINDINGS-FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

USDA EMERGENCY FOOD ASSISTANCE PROGRAM

FINDING NO. 2020-001 USDA EMERGENCY FOOD ASSISTANCE PROGRAM, CFDA No. 10.569

Recommendation:

The Organization should implement new policies and procedures to ensure all required documentation is on file for USDA distribution sites.

Action Taken:

On December 17, 2020, the missing TEFAP agreement was signed by the distribution site and a new policy was implemented to annually renew TEFAP agreements with distribution sites at the beginning of each year. The signed TEFAP agreements will also be tracked and monitored to ensure that current agreements are on file.

If you have any questions regarding the plan, please call Stephanie Otero, Chief Financial Officer (951) 359-4757

Sincerely,

Stephanie Otero

Stephanie Otero
CEO & Chief Financial Officer

FEEDING AMERICA RIVERSIDE/ SAN BERNARDINO
SCHEDULE OF FOOD RECEIVED AND DISTRIBUTED

June 30, 2020

	<u>Pounds</u>	<u>Dollars</u>
Beginning inventory	1,275,236	\$ 1,674,919
Donated food received	20,067,594	31,592,559
USDA commodities received	<u>4,410,000</u>	<u>5,176,280</u>
Total food available	25,752,830	38,443,758
Less food distributed and adjustments	<u>24,323,995</u>	<u>36,584,871</u>
Ending Inventory	<u>1,428,835</u>	<u>\$ 1,858,887</u>

See Independent Auditor's Report