



FOODBANK OF SANTA BARBARA COUNTY

FINANCIAL STATEMENTS

June 30, 2022

(with Independent Auditors' Report Thereon)



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Foodbank of Santa Barbara County

Opinion

We have audited the accompanying financial statements of Foodbank of Santa Barbara County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foodbank of Santa Barbara County as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foodbank of Santa Barbara County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Foodbank of Santa Barbara County's ability to continue as a going concern within 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Foodbank of Santa Barbara County'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 Foodbank of Santa Barbara County'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.

Report on Summarized Comparative Information

We have previously audited the Foodbank of Santa Barbara County's 2021 financial statements and our report dated November 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph as a whole. The accompanying management discussion and analysis on pages 4-5 is presented for purposes of additional analysis and is not a required part of the above financial

statements. Such information is the responsibility of management and has not been subjected to the auditing standards described in the second paragraph above and on which we place no opinion.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our separate report dated November 16 , 2022, on our consideration of Foodbank of Santa Barbara County's internal control over financial reporting and on our tests 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Foodbank of Santa Barbara County's internal control over financial reporting and compliance.

Stoltey & Associates

Orcutt, California
November 16, 2022

FOODBANK OF SANTA BARBARA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS

The Foodbank of Santa Barbara County's (FBSBC) mission is to end hunger and transform the health of Santa Barbara County through good nutrition. It has served as the leading food distribution and hunger-relief organization in the region since 1982. Foodbank partners with a network of over 200 nonprofit agencies, including health programs, religious organizations, and schools to serve low-income (below federal poverty level) residents throughout Santa Barbara County. From warehouses in Santa Barbara and Santa Maria, Foodbank distributed nearly 4 million pounds of fresh produce and nutritious groceries this year.

Foodbank functions as a critical safety net for the approximately 1 in 4 people who experience hunger in the county each year, or 163,821 unduplicated clients in FY22. Our clients include 38% children (0-17 years), 14% older adults (60 years or older), 78% Latinx/Hispanic individuals, and 52% females. South Santa Barbara County constitutes 28% of the Foodbank's service area, with 86,000 individuals served last fiscal year. Foodbank distributed 10.2 million pounds of food to those in need in FY22. Of these, 3.7 million pounds were fresh fruits and vegetables. A total of 1,486 volunteers contributed 22,962 hours of their valuable time and service to help with food distributions and Foodbank programs.

To empower communities with high levels of food insecurity, Foodbank hosts a suite of nutrition education programs for children, families, and older adults. Lessons and activities are designed to improve long-term health by developing food literacy skills and incorporating fresh produce into daily diets. Bilingual (Spanish/English) nutrition education programs operate at 94 sites countywide (39 sites in South Santa Barbara County) on a daily and monthly basis. In FY22, Foodbank's Feed the Future programs provided 1.7 million pounds of healthy food and 337 hours of nutrition education to more than 34,485 unduplicated clients. Notably, all children, families, and seniors participate in Foodbank programs free of cost.

To procure food, Foodbank collaborates with local, state, and national food growers, grocery stores, and individual donors. The Foodbank is a member of Feeding America, a national organization representing over 200 food banks, as well as the California Association of Food Banks. Foodbank leverages these constituencies to purchase large quantities of healthy foods at discounted prices. In response to increased food insecurity during recent emergencies, such as the 2017 Thomas Fire and the 2018 Montecito Debris Flow, the Foodbank championed the creation of a countywide Disaster Feeding Plan in partnership with Santa Barbara County's nonprofits and governmental agencies. Planning began in 2018 and the Feeding Plan was put into place in fall 2019.

As a partner with the Voluntary Organizations Active in Disaster-Santa Barbara County (VOAD-SBC), the Foodbank is logistically responsible for coordinating response efforts when a disaster strikes within Santa Barbara County. The Foodbank is the sole distributor of USDA foods in the county, and as part of a nationwide and statewide network of food banks, has access to food resupply from organizations to the north, east, and south. In March 2020, in response to the COVID-19 pandemic, the Foodbank aggressively escalated its emergency food distribution efforts, doubling its food distribution capacity and providing emergency safety training to its countywide partner network.

The Foodbank of Santa Barbara County has been searching for a larger, more efficient south county warehouse for eight years. In FY22 the organization utilized some of the resources reflected in these financial statements, as well as a \$9.5M loan in order to purchase a new warehouse at an initial purchase price of \$12.7M. Also reflected in these financial statements is a principal loan payment of \$2M. With anticipated building improvement costs of \$7.9M, FBSBC has launched an \$18M capital campaign effort to fund the purchase, and will be looking to dedicated community members for support.

FOODBANK OF SANTA BARBARA COUNTY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

(With Comparative Totals as of June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,243,002	\$ 2,478,437	\$ 7,721,439	\$ 3,191,176
Accounts and other receivables, net	34,619	-	34,619	21,204
Grants and contracts receivable	1,603,801	526,000	2,129,801	592,747
Pledges and bequest receivable	-	2,564,920	2,564,920	146,964
Food inventory	595,412	1,332,796	1,928,208	1,128,382
Total Current Assets	7,476,834	6,902,153	14,378,987	5,080,473
OTHER ASSETS				
Pledges and bequest receivable, net of current	-	2,778,676	2,778,676	301,785
Deposits	9,399	-	9,399	26,030
Cash and cash equivalents designated				
for long term purposes	4,845,326	-	4,845,326	3,950,266
Investments designated for long term purposes	2,777,768	-	2,777,768	3,672,828
Beneficial interest in assets				
held by others designated for operating reserve	555,851	-	555,851	578,729
Cash held in endowment	-	5,789	5,789	5,789
Investments designated for quasi-endowment	6,000,000	-	6,000,000	6,000,000
Fixed assets, net	15,009,001	-	15,009,001	1,908,785
Retirement plan assets	184,860	-	184,860	213,583
Total Other Assets	29,382,205	2,784,465	32,166,670	16,657,795
TOTAL ASSETS	\$ 36,859,039	\$ 9,686,618	\$ 46,545,657	\$ 21,738,268
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 503,354	\$ -	\$ 503,354	\$ 176,545
Accrued salary and related expenses	311,574	-	311,574	213,274
Grants payable	6,471	-	6,471	32,338
Agency funds	-	-	-	71,131
Current portion of long-term debt	-	-	-	-
Total Current Liabilities	821,399	-	821,399	493,288
OTHER LIABILITIES				
Tenant deposits	45,142	-	45,142	-
Retirement plan liability	184,860	-	184,860	213,583
Long-term debt	7,468,782	-	7,468,782	-
Total Other Liabilities	7,698,784	-	7,698,784	213,583
Total Liabilities	8,520,183	-	8,520,183	706,871
NET ASSETS				
Without donor restriction				
General operating	7,175,543	-	7,175,543	3,852,154
Property and equipment, net of related loan	7,540,219	-	7,540,219	1,908,785
Board designated building fund	3,581,450	-	3,581,450	3,581,450
Board designated building maintenance reserve	1,000,000	-	1,000,000	1,000,000
Board designated operating reserve	3,041,644	-	3,041,644	3,041,644
Board designated endowment	6,000,000	-	6,000,000	6,000,000
Total Without Donor Restriction	28,338,856	-	28,338,856	19,384,033
With donor restriction				
Temporary in nature	-	9,681,239	9,681,239	1,641,985
Perpetual in nature	-	5,379	5,379	5,379
Total Net Assets	28,338,856	9,686,618	38,025,474	21,031,397
TOTAL LIABILITIES AND NET ASSETS	\$ 36,859,039	\$ 9,686,618	\$ 46,545,657	\$ 21,738,268

See Accompanying Notes

FOODBANK OF SANTA BARBARA COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
REVENUE, GAINS, AND OTHER SUPPORT				
Rental income	\$ 458,361	\$ -	\$ 458,361	\$ -
Less rental expenses	(391,124)	-	(391,124)	-
Rental income, net	67,237	-	67,237	-
Special event income	409,508	-	409,508	669,147
Less direct expenses	(81,979)	-	(81,979)	(13,548)
Special event income, net	327,529	-	327,529	655,599
Contributions from public	1,285,192	11,351,505	12,636,697	8,750,639
Foundation grants	8,381,371	-	8,381,371	1,550,613
Government grants and contracts	-	2,580,706	2,580,706	2,385,885
In-Kind contributions of food	16,342,888	1,332,796	17,675,684	26,114,342
In-Kind contributions of interest and facilities	86,592	-	86,592	34,208
Agency fees	463,209	-	463,209	655,242
Investment income, net of investment expenses	(894,813)	-	(894,813)	88,395
Gain on sale of fixed assets	-	-	-	1,000
Change in value of beneficiary interest in assets held by others	(22,878)	-	(22,878)	78,188
Other revenue	754	-	754	1,047
Total Revenues, Gains and Other Support	26,037,081	15,265,007	41,302,088	40,315,158
RECLASSIFICATIONS				
Net assets released from restrictions	7,225,753	(7,225,753)	-	-
EXPENSES				
Program services	21,251,332	-	21,251,332	30,432,381
Supporting Services				
Management and general	1,249,970	-	1,249,970	872,954
Fundraising	1,806,709	-	1,806,709	1,423,060
Total Supporting Services	3,056,679	-	3,056,679	2,296,014
Total Expenses	24,308,011	-	24,308,011	32,728,395
CHANGE IN NET ASSETS	8,954,823	8,039,254	16,994,077	7,586,763
NET ASSETS, BEGINNING OF YEAR	19,384,033	1,647,364	21,031,397	13,444,634
NET ASSETS, END OF YEAR	\$ 28,338,856	\$ 9,686,618	\$ 38,025,474	21,031,397

See Accompanying Notes

FOODBANK OF SANTA BARBARA COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for Year Ended June 30, 2021)

	Program	Supporting Services		Program & Supporting Services	Program & Supporting Services
	Program Services	General and Admin.	Fund Raising	Total 2022	Total 2021
SALARIES & RELATED EXPENSES					
Salaries	\$ 1,880,926	\$ 386,289	\$ 991,711	\$ 3,258,926	\$ 3,082,996
Payroll taxes	147,651	30,323	77,848	255,822	244,696
Employee benefits	294,345	62,254	153,108	509,707	454,945
Total Salaries & Related Expenses	<u>2,322,922</u>	<u>478,866</u>	<u>1,222,667</u>	<u>4,024,455</u>	<u>3,782,637</u>
COST OF GOODS SOLD					
COGS - purchased food	496,969	-	-	496,969	772,735
COGS - donated food	11,102,178	-	-	11,102,178	12,182,976
COGS - USDA	5,759,492	-	-	5,759,492	13,556,818
Total Cost of Goods Sold	<u>17,358,639</u>	<u>-</u>	<u>-</u>	<u>17,358,639</u>	<u>26,512,529</u>
OTHER EXPENSES					
Freight inbound	108,346	-	-	108,346	127,867
Professional and contract services	158,034	166,110	161,764	485,908	292,851
Warehouse expenses	471,909	190,133	10,884	672,926	569,112
General office expenses	239,511	136,313	107,011	482,835	385,646
Utilities	104,966	1,055	3,325	109,346	225,607
Travel and meeting expenses	22,500	14,464	642	37,606	32,113
Fundraising expenses	2,434	-	192,667	195,101	149,910
Insurance, dues and miscellaneous	38,640	132,983	5,333	176,956	120,540
Marketing development and materials	4,221	-	73,623	77,844	96,830
Business expenses	6,690	157,925	102,264	266,879	165,810
In-kind facilities expense	131,200	-	-	131,200	-
Interest expense	-	227,663	-	227,663	-
Total Other Expenses	<u>1,288,451</u>	<u>1,026,646</u>	<u>657,513</u>	<u>2,972,610</u>	<u>2,166,286</u>
Depreciation Expense	<u>281,320</u>	<u>135,582</u>	<u>8,508</u>	<u>425,410</u>	<u>280,491</u>
TOTAL FUNCTIONAL EXPENSES	<u>21,251,332</u>	<u>1,641,094</u>	<u>1,888,688</u>	<u>24,781,114</u>	<u>32,741,943</u>
Less Expenses Reported on Statement of Activities	<u>-</u>	<u>(391,124)</u>	<u>(81,979)</u>	<u>(473,103)</u>	<u>(13,548)</u>
TOTAL EXPENSES, YEAR ENDED JUNE 30, 2022	<u>\$ 21,251,332</u>	<u>\$ 1,249,970</u>	<u>\$ 1,806,709</u>	<u>\$ 24,308,011</u>	
TOTAL EXPENSES, YEAR ENDED JUNE 30, 2021	<u>\$ 30,432,381</u>	<u>\$ 872,954</u>	<u>\$ 1,436,608</u>		<u>\$ 32,728,395</u>

See Accompanying Notes

FOODBANK OF SANTA BARBARA COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(With Comparative Totals for Year Ended June 30, 2021)

	Total 2022	Total 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 16,994,077	\$ 7,586,763
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	425,410	280,491
In-kind loan forgiveness	-	(446,000)
Amortization of loan fees	(31,218)	-
Gain sale of fixed assets	-	(1,000)
Unrealized loss (gain) on investments	956,460	(52,288)
Realized loss (gain) on investments	156,925	-
Unrealized loss (gain) on beneficiary interest in assets held by others	22,878	(78,188)
Changes in:		
Value of food inventory	(799,826)	(438,213)
Accounts and other receivables	(13,415)	(8,302)
Grants and contracts receivable	(1,537,054)	(189,881)
Pledges receivable	(4,894,847)	620,203
Deposits	16,631	-
Accounts payable	326,809	(81,681)
Accrued salary and related expenses	98,300	(108,558)
Grants payable	(25,867)	28,809
Agency funds	(71,131)	(4,293)
Tenant deposits	45,142	-
NET CASH FROM OPERATING ACTIVITIES	11,669,274	7,107,862
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	-	1,000
Purchase of investments	(2,889,854)	(9,275,605)
Proceeds from sale of investments	2,671,529	34,653
Acquisition of fixed assets	(13,525,626)	(634,573)
NET CASH FROM INVESTING ACTIVITIES	(13,743,951)	(9,875,525)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuing note payable	9,500,000	-
Principal payments on note payable	(2,000,000)	-
NET CASH FROM FINANCING ACTIVITIES	7,500,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,425,323	(2,767,663)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,147,231	9,914,894
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,572,554	\$ 7,147,231
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
In-kind donation of goods and services	\$ 17,675,684	\$ 26,114,342
In-kind donation of interest and facilities	\$ 86,592	\$ 34,208
Interest payments on notes payable	\$ 227,663	\$ -
Summary of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 7,721,439	\$ 3,191,176
Cash and cash equivalents designated for long term purposes	4,845,326	3,950,266
Cash held in endowment	5,789	5,789
Total cash and cash equivalents	\$ 12,572,554	\$ 7,147,231

See Accompanying Notes

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Foodbank of Santa Barbara County (the Foodbank) was formed as a nonprofit organization in 1982 and incorporated in the State of California in 1987. The Foodbank provides nourishment to those in need by acquiring and distributing safe nutritious food via local agencies and its own direct programs. The Foodbank is transforming the health of Santa Barbara County by building a long-term solution to hunger related issues through food literacy and self-reliance. All Foodbank uniquely designed programs include components of nutrition education.

Direct programs include:

- Mobile Food Pantry Program – Provides reliable countywide assistance to families by distributing perishable and nonperishable food to underserved communities.
- Mobile Farmer’s Market Program – Rapidly distributes fresh produce to low – income families through a farmer’s market-like setting.
- Kids Farmer’s Market Program – teaches children through food literacy with a variety of fresh fruit and vegetables through hands on nutrition education.
- Older Adult Nutrition Program – Provides low-income seniors with two bags of groceries and fresh produce twice a month, supplementing their food costs. Volunteers deliver the bags to homebound seniors.
- CalFresh Outreach – A bilingual community outreach coordinator conducts food stamp recruitment and assists with the application process, while offering nutrition education.

The Foodbank is supported by federal, state and local grants, as well as support from the general public.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foodbank is presented to assist in understanding the Foodbank’s financial statements. The financial statements and notes are representations of the Foodbank’s management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements of the Foodbank have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Foodbank reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments purchased with an original maturity of three months or less.

Accounts Receivable

Accounts receivable consist primarily of non-interest-bearing amounts due for food distribution activities as well government contracts considered by management to be exchange transactions. The Foodbank determines an allowance for uncollectible accounts receivable based on management's analysis of the potential credit risk of clients owing the receivable, historical trends, and subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2022 management believed all accounts receivable were fully collectible and thus no allowance for uncollectible accounts receivable is reported.

Pledges and Bequests Receivable

The Foodbank initially records unconditional pledges receivable and subsequently carried at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

Investments

The Foodbank records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Inventory

Inventory is stated at the lower of market or cost, if purchased. If donated, the inventory is reported at the lower of market value or fair value on date of donation. In addition, the Foodbank uses the first-in, first-out method.

Property and Equipment

The Foodbank records fixed asset additions over \$2,500 at cost, or if donated, at fair value on the date of donation. The lesser of the estimated useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation is computed using straight-line method over the estimated useful lives of the assets, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. Management has estimated the useful lives of depreciable assets as follows:

<u>Asset</u>	<u>Life</u>
Improvements	5 – 20 Years
Structures	7 – 30 Years
Furniture and Equipment	5 – 10 Years
Vehicles	5 – 7 Years

The Foodbank reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Management has determined there were no indicators of asset impairment during the year ended June 30, 2022.

Fair Value of Financial Instruments

The estimated fair values of the Foodbank's short-term financial instruments, including cash, cash equivalents, and accounts payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The fair value of the beneficiary interest in assets held by others is based on the net asset value. The amount shown for the loans approximate fair value. The fair value of the retirement plan asset and related liability is based upon the underlying asset.

Revenue and Revenue Recognition

Exchange Transactions

Agency fee revenue is recognized when the food is transferred to the agency purchasing the food. Special event revenue equal to the estimated fair value of the direct benefits to donors. All products and services are transferred at a point in time.

Contributions

The Foodbank recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2022, contributions approximating \$2,583,000, have not been recognized in the accompanying statement of activities because the conditions on which they depend has not yet been met. In the year ending June 30, 2022, the Foodbank recognized approximately \$40,000 of contributions that were conditional at June 30, 2021

Donated Materials, Facilities and Services

During the year ended June 30, 2022, the Foodbank received 22,962 hours of volunteer service from 1,486 volunteers. The volunteers served as Board members and/or helping with the Foodbank carry out its direct programs. This volunteer time is critical to the success of the Foodbank. However, as this volunteer service does not meet the recognition requirements of generally accepted accounting principles, no amount has been recorded in these financial statements.

The Foodbank's warehouse facilities are donated through lease agreements with the County of Santa Barbara and the City of Goleta. The donated facilities are recorded at the estimated fair market value of the donated facilities. Promises to donate facilities under unconditional pledge agreements are recorded at the fair value of the promise at the time of the pledge.

Donated materials consist primarily of food. The Foodbank records the fair market value of the donated food as a contribution at the time of receipt. The fair market value of the donated food is based on Feeding America guidelines. All donated food are used in the Foodbank's programs.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$80,000 during the year ended June 30, 2022.

Functional Expenses

The cost of providing Foodbank programs and other activities is summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Indirect expenses allocated and the basis for allocation are as follows:

Salaries and related costs	Time and effort
Freight in-bound	Pounds of food distributed
Warehouse expenses	Pounds of food distributed
General office expenses	Time and effort/Pounds of food Distributed
Utilities	Square footage/Pounds of food distributed
Insurance	Time and effort/Pounds of food Distributed
Business expenses	Time and effort/Pounds of food Distributed
Depreciation	Time and effort/Pounds of food Distributed

Income Taxes

The Foodbank is a California nonprofit public benefit corporation, which is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provisions for income taxes are reflected in the accompanying financial statements. The Foodbank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Foodbank evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2022, the Foodbank had no uncertain tax positions requiring accrual. The Foodbank files tax returns in U.S. federal and California jurisdictions. The Foodbank's tax filings are subject to examination by the IRS, generally for three years after they are filed. Foodbank is not aware of any activities that would jeopardize its tax-exempt status.

The Foodbank is subject to unrelated business income tax related to the rental of a portion of the Goleta, California warehouse.

Use of 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, Foodbank management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Foodbank management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Significant estimates used in preparing these financial statements include:

- Allocation of certain expenses by function
- Value of donated rental space and food

- Depreciable lives and estimated residual value of property and equipment
- Allowance for uncollectible accounts, grants, contracts and pledges receivable
- Present value of pledges and bequests receivable

It is at least reasonably possible that the significant estimates will change within the next year.

Prior-Year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foodbank's audited financial statements for the year ended June 30, 2021, from which the information was derived.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

Change in Accounting Principle

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07 (Topic 958). The core principle of the accounting standard update is to increase transparency around contributed nonfinancial assets received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Foodbank implemented ASU 2020-07 during the year ended June 30, 2022 with no impact on the financial position of the Foodbank.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents -	
without donor restrictions	\$ 5,243,002
Accounts and other receivables	34,619
Grants and contracts receivables -	
without donor restrictions	1,603,801
Pledges and bequests receivable -	
without donor purpose restrictions	<u>169,519</u>
Total	<u>\$ 7,050,941</u>

The Board of Directors of the Foodbank has designated \$13,623,094 for various purposes. While the Board does not intend to spend from these board-designated

funds, these amounts could be made available if necessary.

NOTE 4 INVESTMENTS

Investments are carried at fair value based on quoted prices in active markets. Investments held at June 30, 2020 consisted of the following:

	Fair Value	Cost	Unrealized Appreciation
Money market funds	\$ 109,855	\$ 109,855	\$ -
Commodity mutual funds	29,072	34,093	(5,021)
Real estate mutual funds	162,561	190,272	(27,711)
Fixed income mutual funds	4,077,572	4,362,028	(284,456)
Equity mutual funds	1,562,624	1,917,567	(354,943)
Common stocks	1,243,422	1,394,918	(151,496)
Corporate bonds	1,077,671	1,147,120	(69,449)
Long-term certificates of deposit	<u>514,991</u>	<u>509,302</u>	<u>5,689</u>
Total Investments	<u>\$ 8,777,768</u>	<u>\$ 9,665,155</u>	<u>\$ (887,387)</u>

Investment income is summarized as follows:

Interest income	\$ 218,572
Realized losses	(156,925)
Unrealized losses	<u>(956,460)</u>
	<u>\$ (894,813)</u>

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts owed to the Foodbank by local agencies that have purchased food for distribution. Based on historical collection trends, management has determined the receivables are fully collectible; therefore, no provision has been made for uncollectible amounts.

NOTE 6 GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable are primarily from government sources and are considered to be fully collectible by management. All grant and contract receivables are anticipated to be collected in the fiscal year ended June 30, 2022.

NOTE 7 PLEDGES AND BEQUEST RECEIVABLE

Bequests Receivable

The Foodbank has been named as a 7% beneficiary of a bequest trust that is scheduled to be distributed over a nine-year period. The bequest allows for an annual \$3,000 distribution to the Foodbank. In the final year of the trust the remaining balance held

in the trust will be distributed to the named beneficiaries. At June 30, 2022 management has estimated the present value of the Trust to be \$169,519. Management has used a discount rate of 2.5%.

In-Kind Leases

The Foodbank had a continuing long-term lease which expired in 2015 with the County of Santa Barbara at no cost for its Santa Barbara warehouse and office. During the year ended June 30, 2015, the Foodbank entered into a second amendment of the lease, extending the term to 2020 and granting three five-year options. During the year ended June 30, 2020 the Foodbank exercised its first option to extend the lease term to expire April 2025.

During the year ended June 30, 2004, the Foodbank entered into a continuing long-term non-cancelable lease which expires in 2023 with the County of Santa Barbara at no cost for its Santa Maria warehouse and office. The fair value of the leaseholds to the Foodbank represents an in-kind donation of rental space.

The Foodbank has entered into a month-to-month lease agreement with the City of Goleta. The lease agreement was for warehouse space and required a payment of \$1. The estimated fair value of the lease space has been recorded as an in-kind donation of rental space.

The present value, utilizing a discount rate of 5%, of donated space to be used in future periods is recorded as a pledge receivable. As the lease arrangements are non-cancelable and there are no lease charges, the Foodbank deems the pledges to be fully collectible.

Other Pledges Receivable

The Foodbank has recorded unconditional pledges receivable totaling \$5,192,720 and \$240,916 at June 30, 2022 and 2021, respectively. The unconditional pledges primarily relate to the capital campaign and operation of the Foodbank programs. The Foodbank considers the pledges fully collectible; therefore, no provision has been made for uncollectible pledges receivable. Management has used a discount rate of 3%.

Anticipated Pledge and Bequest Receivable Collection Schedule

Management anticipates collecting the above noted pledges and bequest receivables as follows:

	<u>Bequest Receivable</u>	<u>In-Kind Leases</u>	<u>Other Pledges</u>	<u>Total</u>
Within one year	\$ 3,000	\$ 61,200	\$ 2,500,720	\$ 2,564,920
Within two to five years	12,000	80,200	2,692,000	2,784,200
Thereafter	<u>190,011</u>	<u>-</u>	<u>-</u>	<u>190,011</u>
	205,011	141,400	5,192,720	5,539,131
Less Discount	<u>(35,492)</u>	<u>(5,264)</u>	<u>(154,779)</u>	<u>(195,535)</u>
	<u>\$ 169,519</u>	<u>\$ 136,136</u>	<u>\$ 5,037,941</u>	<u>\$ 5,343,596</u>

NOTE 8 FIXED ASSETS

Fixed assets at June 30, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 8,000,000	\$ -
Leasehold improvements	1,115,891	1,115,891
Buildings	6,637,999	1,937,999
Furniture and equipment	1,614,705	1,556,640
Vehicles	1,418,709	1,383,859
Construction in process	<u>732,710</u>	<u>-</u>
Total Property and Equipment	19,520,014	5,994,389
Accumulated depreciation	<u>(4,511,013)</u>	<u>(4,085,604)</u>
	<u>\$ 15,009,001</u>	<u>\$ 1,908,785</u>

Land and building located in Goleta, California are used as collateral for the note payable described in note 18. Construction in process includes architectural and construction costs associated with the renovation of the building located in Goleta. As the renovations were not placed in use at June 30, 2022 no depreciation expense was recognized on the construction in process.

Depreciation expense for the years ended June 30, 2022 and 2021, was \$425,410 and \$280,490, respectively.

NOTE 9 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foodbank has a beneficiary interest in the Santa Barbara Foundation Endowment Fund (Fund) under an Agency Fund Agreement (Fund Agreement). The Fund attempts to provide stable capital appreciation on a total return basis. Assets of the Fund are fully exposed to market risks and may experience market volatility and principal loss. The beneficial interest in the Fund is reported by the Foodbank at the estimated fair market value which is based on the reported net asset value of the fund as reported by

the Santa Barbara Foundation. At June 30, 2022 and 2021, the estimated fair market value of the Foodbank's interest in the Fund was \$555,851 and \$578,729, respectively.

The Fund Agreement provides for the distribution of funds to be in accordance with the Santa Barbara Foundation's spending policy for its endowed funds and consistent with the applicable provisions of the California Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with California State law Santa Barbara Foundation (SBF) retains sole and absolute discretion over distributions from the Fund. However, the Fund Agreement allows SBF to seek the Foodbank's advice concerning the timing and amounts of distributions from the Fund to the Foodbank. The Foodbank also may request an extraordinary distribution from the Fund. The funding of any extraordinary distribution is at the SBF's sole discretion.

NOTE 10 BOARD DESIGNATED NET ASSETS

As part of the Foodbank's strategic plan, the Board of Trustees has established the following designated funds:

Operating reserve	\$ 3,041,644
Building purchase fund	3,581,450
Building maintenance fund	1,000,000
Quasi-endowment fund	<u>6,000,000</u>
Total board designated funds	<u>\$ 13,623,094</u>

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions temporary in nature consist of the following amounts at June 30:

	<u>2022</u>	<u>2021</u>
<i>Restricted for Specific Purpose</i>		
Government food program – USDA food inventory	\$ 1,332,796	\$ 570,079
Capital campaign – building & program capacity	7,928,822	-
Special event sponsorships	35,836	30,000
Endowment	410	410
	<u>9,297,864</u>	<u>600,489</u>
<i>Restricted for Time</i>		
Pledge receivable for facility leases	136,136	181,284
Unrestricted grants receivable	77,720	592,747
Unrestricted pledges and bequest receivable	<u>169,519</u>	<u>267,465</u>
Total	<u>\$ 9,681,239</u>	<u>\$ 1,641,985</u>

Net assets with donor restrictions perpetual in nature consist of the following amounts at June 30:

	<u>2022</u>	<u>2021</u>
Endowment	<u>\$ 5,379</u>	<u>\$ 5,379</u>

NOTE 12 CONTINGENT LIABILITIES

Government Grants and Contracts

The Foodbank receives a number of grants from various governmental agencies. These grants are subject to audit by the granting agencies as to allowable costs paid with government funds. The Foodbank would be liable for any government funds expended during year ended June 30, 2022, should those costs charged to the grants be disallowed.

Solar Panel Agreement

During the year ended June 30, 2017, the Foodbank signed a twenty-five year agreement with Wiser Capital for purchase of solar power. Although the monthly expense related to the agreement is projected to result in lower utility costs, the Foodbank is responsible for the maintenance and repair of the electrical system at the Santa Maria facility and may be liable for the costs to relocate the system should they cease to conduct business operations at that location.

NOTE 13 LEASES

The Foodbank entered into a three-year lease agreement to rent office space effective April 1, 2019 and expiring March 31, 2022. The lease converted to a month-to-month lease on April 1, 2022, with a monthly rent of \$4,025 plus common area maintenance. The minimum rent was to be adjusted annually based on the previous year CPI, but the Foodbank terminated the lease in October 2022.

The Foodbank also has two in-kind leases for warehouses and other program activities (See Note 5).

The Foodbank also leases various autos, trucks and other equipment under operating leases. The terms of the leases range from 3 years to 6 years. The leases expiration dates range from July 2022 to August 2027.

Minimum annual lease commitments under the current lease agreements are as follows:

<u>Year ended June 30,</u>	<u>Cash</u>	<u>In-kind</u>	<u>Total</u>
2023	\$ 94,625	\$ 55,000	\$ 149,625
2024	49,130	43,000	92,130
2025	40,949	31,000	71,949
2027	6,429	-	6,429
Thereafter	-	-	-
Totals	<u>\$ 191,133</u>	<u>\$ 129,000</u>	<u>\$ 320,133</u>

NOTE 14 RETIREMENT PLANS

Beginning May 1, 2007, the Foodbank initiated a new 403(b) annuity plan. The plan was amended and restated effective January 1, 2017. For purposes of Matching Contributions, an employee must complete 3 months of service beginning on the employment commencement date. The Foodbank provides a matching contribution that are not in excess of 3% of salary compensation. The employer contribution amount is paid every pay period. For the years ended June 30, 2022 and 2021, the Foodbank contributed \$74,000 and \$69,000, respectively.

Effective July 1, 2011, the Foodbank adopted 457(b) and 457(f) deferred compensation plans for the benefit of the Foodbank's chief executive officer. During the year ended June 30, 2016, the Foodbank restated the 457(b) plan, effective July 1, 2016, extended the yearly employer contributions until June 30, 2019, and increased the yearly contribution amounts. The Foodbank restated the 457(f) plan, effective July 1, 2016.

For the 457(b) plan, the Foodbank will make non-elective annual contributions to the plan on behalf of the chief executive officer. The plan balance will be maintained on the Foodbank's books in a designated account and will remain the sole property of the Foodbank and be available to satisfy the claims of all general creditors of the Foodbank.

For the 457(f) plan, a one-time contribution was made on the chief executive officer's

behalf under Code Section 457(f) during the year ended June 30, 2021, with the chief executive officer became fully vested in his 457(f) deferred compensation plan in the same year. The Foodbank did not contribute to the 457(f) deferred compensation plan in the year ended June 30, 2022.

As of June 30, 2022, the asset and related liability of the 457(b) plan in the amount of \$184,860 are recorded in other assets and liabilities on the statement of financial position.

NOTE 15 CONCENTRATIONS

A significant portion of the Foodbank's revenues and related grant receivables are derived from government grants and contracts.

As of June 30, 2022 approximately 75% of pledges and bequests receivable are from 3 donors.

As of June 30, 2022 approximately \$530,000 of cash and cash equivalents were held in bank accounts in excess of FDIC insured threshold.

Individual donors are primarily from Santa Barbara County, as are the clients of the Foodbank.

NOTE 16 ENDOWMENT

The Foodbank's endowment has been established for a variety of programs and operating reserves. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees have interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift, as of the gift date.

As a result of this interpretation, the Foodbank has classified with the explicit prohibition by the donor as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foodbank in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the Foodbank considers the following factors in making a determination to appropriate or invest donor-restricted endowment funds: The duration and preservation of the funds

- (1) The purposes of the Foodbank and the donor-restricted endowment funds
- (2) General economic conditions
- (3) The possible effect of inflation and deflation
- (4) The expected total return and the appreciation of investments
- (5) Other resources of the Foodbank
- (6) The investment policies of the Foodbank

Return Objectives and Risk Parameters

The Foodbank has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foodbank must hold in perpetuity.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foodbank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foodbank targets a diversified asset allocation of quality investment vehicles to achieve its long-term return objectives within prudent risk constraints.

At June 30, 2022, the endowment comprised of \$6,000,000 of net assets designated by the board of trustees and \$5,789 of net assets with donor restrictions.

Changes in designated endowment net assets for the fiscal year ended June 30, 2022 are as follows:

	<u>Without Donor Restriction</u>
Balance at June 30, 2021	\$ 6,000,000
Contributions	<u>-</u>
Balance at June 30, 2022	<u>\$ 6,000,000</u>

Changes in endowment net assets for the fiscal year ended June 30, 2022 are as follows:

	<u>With Donor Restriction</u>		
	Temporary	Perpetual	Total
Balance at June 30, 2021	\$ 410	\$ 5,379	\$ 5,789
Investment income	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2022	<u>\$ 410</u>	<u>\$ 5,379</u>	<u>\$ 5,789</u>

NOTE 17 FAIR VALUE MEASUREMENT

The Foodbank has adopted a framework for measuring and disclosing the fair value of assets and liabilities. Accounting principles define fair value as the price that would be received by the Foodbank to sell an asset or be paid by the Foodbank to transfer a

liability (an exit price) in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established that prioritizes valuation inputs into three broad levels to ensure consistency and comparability. The valuation hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The standard describes three levels of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; including general partner estimates and recent third-party appraisals.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statements of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Fair market valuation of Level 3 assets is based on other market factors to determine if the carrying value of these investments should be adjusted.

The table below presents the balances of assets measured at fair value on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3
Money market funds (cost)	\$ 109,855	\$ -	\$ -
Commodity mutual funds	29,072	-	-
Real estate mutual funds	162,561	-	-
Fixed income mutual funds	4,077,572	-	-
Equity mutual funds	1,562,624	-	-
Common stocks	1,243,422	-	-
Corporate bonds	1,077,671	-	-
Long-term certificates of deposit	514,991	-	-
Beneficial interest in assets held by others	-	555,851	-
Pledges and bequests receivable	-	-	5,343,596
	<u>\$ 8,777,768</u>	<u>\$ 555,851</u>	<u>\$ 5,343,596</u>

The Foodbank recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between Level 1, 2, and 3 of the fair value hierarchy for the year ended June 30, 2022.

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

Pledges and Bequests Receivable:

Balance at Beginning of Year	\$ 448,749
Additions	5,192,720
Collections	(151,986)
Fair value adjustments	<u>(145,887)</u>
Balance at End of Year	<u>\$ 5,343,596</u>

NOTE 18 NOTE PAYABLE

In September 2021 the Foodbank purchased a building located in Goleta, California. The purchase price was \$12,700,000 to be used for food warehousing and administration offices.

In association with the purchase of the building the Foodbank entered into a \$9,500,000 promissory note with Montecito Bank & Trust. The note is secured by a deed of trust on the purchased building. The note matures November 5, 2031. The Foodbank made a \$2,000,000 principal payment in June 2022. The balance of the note at June 30, 2022 was \$7,500,000. In association with obtaining the note payable, the Foodbank incurred loan fees of \$33,750. The loan fees are being amortized over the life of the note payable. Unamortized loan fees at June 30, 2022 were \$31,218.

The note requires the Foodbank to make following payments:

- 24 monthly interest only payments beginning December 5, 2022 calculated using the unpaid principal balance and an interest rate of 2.850%
- 60 consecutive principal and interest payments beginning December 5, 2023 with interest calculated on the unpaid principal balances using an interest rate of 2.850%
- 35 consecutive principal and interest payments beginning December 5, 2028 with interest based on the average yield on the U.S. Treasury Securities adjusted to a constant maturity of 3 years as published by the Federal Reserve plus a margin of 2.350 percentage points with a minimum annual interest rate is 2.850%
- 1 final payment to be made November 5, 2031 for any unpaid principal and accrued interest not yet paid.

The Foodbank is obligated to make the following future principal payments under the note.

Fiscal year ending:	
2023	\$ -
2024	188,255
2025	330,085
2026	339,616
2027	349,423
Thereafter	<u>6,292,621</u>
Total principal payments	7,500,000
Less unamortized loan fees	<u>(31,218)</u>
Note payable, net	<u>\$ 7,468,782</u>

NOTE 19 COMMITMENTS

Building Renovation and Construction in Process

During the year ended June 30, 2022, with the consent of the Board of Directors, management executed a number of contracts for the renovation of the recently purchased building on Coromar Drive, Goleta CA.

Management intends to renovation the purchased building to house the Foodbank's South County administrative, food warehousing and program activities. Based on current budget estimates conducted by a project consultant retained by management, it is expected that the renovation of the facility will take approximately 12 months and will cost approximately \$7,900,000. As of November 16, 2022, management has entered into contracts totaling approximately \$885,000 for design and construction costs of which \$630,326 have been incurred.

Line of Credit

The Foodbank has secured a \$250,000 line of credit with Montecito Bank and Trust. The line carries an annual interest rate of 2.6% and matures June 2023. The Foodbank did not utilize the line during the year ended June 30, 2022 and did not have a balance

at June 30, 2022.

NOTE 20 RENTAL EXPENSES

Expenses incurred by the Foodbank related to property rented to others are included in the Statement of Functional Expenses for the Year Ended June 30, 2022 and consist of the following:

Property taxes	\$ 47,376
Insurance	6,238
Interest	85,314
Salaries	17,637
Payroll taxes	1,411
Employee benefits	3,528
Miscellaneous	588
Maintenance	181,413
Depreciation	<u>47,619</u>
	<u>\$ 391,124</u>

NOTE 21 COVID-19 FINANCIAL STATEMENT IMPACT

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. Management is closely monitoring its liquidity and is actively working to minimize the impact of the pandemic. The extent of the impact of COVID-19 on the Foodbank's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Foodbank's employees, vendors, and program participants, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Foodbank's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE 22 SUBSEQUENT EVENTS

Management has evaluated events through November 16, 2022, which is the date the financial statements were available to be issued there were no subsequent events requiring disclosure.