

FOODBANK OF SANTA BARBARA COUNTY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS



FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Foodbank of Santa Barbara County (CDR)
(A California Non-Profit Corporation)
Santa Barbara, California

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, 2023, 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, 2023, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinion.

Adoption of Accounting Pronouncement

As described in Note 2 to the financial statements, Foodbank of Santa Barbara County has adopted ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

INDEPENDENT AUDITORS' REPORT - Continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, 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

Another auditor previously audited Foodbank of Santa Barbara County's 2022 financial statements, and they expressed an unmodified opinion on those audited financial statements in their report dated November 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived. The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Foodbank of Santa Barbara County.

Vosin, Hryn + Co.

Calabasas, California
January 11, 2024

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2023

The Foodbank of Santa Barbara County's 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 partners and programs, 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 5 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 306,773 unduplicated clients in FY23. Our clients include 40% children (0-17 years), 9% older adults (60 years or older), 75% Latinx/Hispanic individuals, and 50% females. Foodbank distributed 10.8 million pounds of food to those in need in FY23. Of these, 5 million pounds were fresh fruits and vegetables. A total of 1,925 volunteers contributed 31,703 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 more than 117 sites countywide on a daily and monthly basis. In FY23 Foodbank's Feed the Future programs provided 2.5 million pounds of healthy food and 713 hours of nutrition education to more than 71,491 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 SBC 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 \$9M loan to purchase a new warehouse at an initial purchase price of \$12.7M, with anticipated building improvement costs of \$12M. FBSBC has launched and completed a \$20M campaign effort to fund the purchase, and improvements necessary to bring the Sharehouse to the community.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,248,256	\$ 6,362,927	\$ 15,611,183	\$ 12,566,765
Grants and contracts receivable	754,757	-	754,757	2,129,801
Accounts and other receivables	31,519	-	31,519	34,619
Promises to give and bequests receivable, net	-	1,876,955	1,876,955	2,564,920
Food inventory	<u>1,175,110</u>	<u>-</u>	<u>1,175,110</u>	<u>1,928,208</u>
Total current assets	11,209,642	8,239,882	19,449,524	19,224,313
Other assets:				
Cash held in endowment	-	5,789	5,789	5,789
Promises to give and bequest receivable, net of current	-	1,955,444	1,955,444	2,778,676
Investments designated for long term purposes	4,599,601	-	4,599,601	2,777,768
Investments designated for quasi-endowment	6,000,000	-	6,000,000	6,000,000
Deposits	13,098	-	13,098	9,399
Beneficial interest in funds held by others	585,042	-	585,042	555,851
Employee benefit plan assets	202,242	-	202,242	184,860
Right-of-use operating lease	127,582	-	127,582	-
Property and equipment, net	<u>16,999,732</u>	<u>-</u>	<u>16,999,732</u>	<u>15,009,001</u>
Total other assets	<u>28,527,297</u>	<u>1,961,233</u>	<u>30,488,530</u>	<u>27,321,344</u>
Total assets	<u>\$ 39,736,939</u>	<u>\$ 10,201,115</u>	<u>\$ 49,938,054</u>	<u>\$ 46,545,657</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 492,149	\$ -	\$ 492,149	\$ 503,354
Accrued payroll and related liabilities	303,751	-	303,751	311,574
Grants payable	<u>6,471</u>	<u>-</u>	<u>6,471</u>	<u>6,471</u>
Total current liabilities	802,371	-	802,371	821,399
Other liabilities:				
Tenant deposits	45,142	-	45,142	45,142
Employee benefit plan liability	202,242	-	202,242	184,860
Operating lease liability	127,582	-	127,582	-
Long-term debt	<u>7,465,406</u>	<u>-</u>	<u>7,465,406</u>	<u>7,468,782</u>
Total other liabilities	<u>7,840,372</u>	<u>-</u>	<u>7,840,372</u>	<u>7,698,784</u>
Total liabilities	8,642,743	-	8,642,743	8,520,183
COMMITMENTS AND CONTINGENCIES				
NET ASSETS				
Without donor restrictions:				
General operating	7,936,776	-	7,936,776	7,175,543
Property and equipment, net of related loan	9,534,326	-	9,534,326	7,540,219
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	<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>	<u>6,000,000</u>
Total net assets without donor restrictions	31,094,196	-	31,094,196	28,338,856
With donor restrictions:				
Temporary in nature	-	10,195,736	10,195,736	9,681,239
Perpetual in nature	<u>-</u>	<u>5,379</u>	<u>5,379</u>	<u>5,379</u>
Total net assets	<u>31,094,196</u>	<u>10,201,115</u>	<u>41,295,311</u>	<u>38,025,474</u>
Total liabilities and net assets	<u>\$ 39,736,939</u>	<u>\$ 10,201,115</u>	<u>\$ 49,938,054</u>	<u>\$ 46,545,657</u>

See accompanying auditors' report and notes to financial statements.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions from public	\$ 6,279,879	\$ 155,522	\$ 6,435,401	\$ 12,636,697
Foundation grants	1,943,050	2,130,000	4,073,050	8,381,371
Government grants and contracts	1,489,476	-	1,489,476	2,580,706
In-kind contributions of food	15,113,820	-	15,113,820	17,675,684
In-kind contributions of facilities	61,200	-	61,200	86,592
Agency fees	607,165	-	607,165	463,209
Interest income, net of investment expenses	548,056	-	548,056	218,572
Realized (gain) loss on investments	12,529	-	12,529	156,925
Unrealized (gain) loss on investments	420,228	-	420,228	(1,270,310)
Change in value of beneficiary interest in assets held by others	29,191	-	29,191	(22,878)
Other revenue	435	-	435	754
 Rental income	 512,341	 -	 512,341	 458,361
Less rental expenses	<u>(251,853)</u>	<u>-</u>	<u>(251,853)</u>	<u>(391,124)</u>
Rental income, net	260,488	-	260,488	67,237
 Special event income	 355,273	 73,805	 429,078	 409,508
Less direct expenses	<u>(74,083)</u>	<u>-</u>	<u>(74,083)</u>	<u>(81,979)</u>
Special event income, net	281,190	73,805	354,995	327,529
 Restrictions released	 <u>1,844,830</u>	 <u>(1,844,830)</u>	 <u>-</u>	 <u>-</u>
 Total revenue, gain, and other support	 28,891,537	 514,497	 29,406,034	 41,302,088
 EXPENSES				
Program services	22,585,405	-	22,585,405	21,251,332
Management and general	1,265,376	-	1,265,376	1,249,970
Fundraising	<u>2,285,416</u>	<u>-</u>	<u>2,285,416</u>	<u>1,806,709</u>
 Total expenses	 <u>26,136,197</u>	 <u>-</u>	 <u>26,136,197</u>	 <u>24,308,011</u>
 CHANGE IN NET ASSETS	 2,755,340	 514,497	 3,269,837	 16,994,077
 NET ASSETS - beginning of year	 <u>28,338,856</u>	 <u>9,686,618</u>	 <u>38,025,474</u>	 <u>21,031,397</u>
 NET ASSETS - end of year	 <u>\$ 31,094,196</u>	 <u>\$ 10,201,115</u>	 <u>\$ 41,295,311</u>	 <u>\$ 38,025,474</u>

See accompanying auditors' report and notes to financial statements.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Program Services	Management and General	Fundraising	2023 Total Expenses	2022 Total Expenses
Salaries and related expenses					
Salaries	\$ 2,577,673	\$ 616,263	\$ 1,361,933	\$ 4,555,869	\$ 3,514,748
Employee benefits	<u>356,708</u>	<u>86,518</u>	<u>185,790</u>	<u>629,016</u>	<u>509,707</u>
Total salaries and related expenses	2,934,381	702,781	1,547,723	5,184,885	4,024,455
Cost of goods sold					
COGS - purchased food	818,707	-	-	818,707	496,969
COGS - donated food	11,468,547	-	-	11,468,547	11,102,178
COGS - USDA	<u>4,729,265</u>	<u>-</u>	<u>-</u>	<u>4,729,265</u>	<u>5,759,492</u>
Total cost of goods sold	17,016,519	-	-	17,016,519	17,358,639
Other expenses					
Freight inbound	139,744	-	-	139,744	108,346
Professional and contract services	242,883	176,130	223,897	642,910	485,908
Warehouse expenses	770,247	15,837	26,467	812,551	672,926
General office expenses	314,707	143,353	106,861	564,921	482,835
Utilities	112,014	807	1,489	114,310	109,346
Travel and meeting expenses	31,436	24,546	19,124	75,106	37,606
Fundraising expenses	5,409	-	235,132	240,541	195,101
Insurance, dues and miscellaneous	185,371	149,591	20,805	355,767	176,956
Marketing development and materials	6,099	120	100,637	106,856	77,844
Permits and bank fees	181,748	46,244	71,397	299,389	266,879
In-kind	61,200	-	-	61,200	131,200
Operating lease expense	68,418	-	-	68,418	-
Interest expense	<u>214,589</u>	<u>-</u>	<u>-</u>	<u>214,589</u>	<u>227,663</u>
Total other expenses	2,333,865	556,628	805,809	3,696,302	2,972,610
Depreciation expense	<u>578,359</u>	<u>5,967</u>	<u>5,967</u>	<u>590,293</u>	<u>425,410</u>
Total functional expenses	22,863,124	1,265,376	2,359,499	26,487,999	24,781,114
Less expenses reported on statement of activities	<u>(277,719)</u>	<u>-</u>	<u>(74,083)</u>	<u>(351,802)</u>	<u>(473,103)</u>
Total 2023 expenses	<u>\$ 22,585,405</u>	<u>\$ 1,265,376</u>	<u>\$ 2,285,416</u>	<u>\$ 26,136,197</u>	
Total 2022 expenses	<u>\$ 21,251,332</u>	<u>\$ 1,249,970</u>	<u>\$ 1,806,709</u>		<u>\$ 24,308,011</u>

See accompanying auditors' report and notes to financial statements.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,269,837	\$ 16,994,077
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	590,293	425,410
Amortization of loan fees	(3,376)	(31,218)
Realized (gain) loss on investments	(12,529)	156,925
Unrealized (gain) loss on investments	(420,228)	956,460
Change in value of beneficial interest in funds held by others	(29,191)	22,878
(Increase) decrease in:		
Grants and contracts receivable	1,375,044	(1,537,054)
Accounts and other receivables	3,100	(13,415)
Promises to give and bequests receivable, net	1,511,197	(4,894,847)
Food inventory	753,098	(799,826)
Deposits	(3,699)	16,631
Employee benefit plan assets	(17,382)	-
Right-of-use operating lease	(127,582)	-
Increase (decrease) in:		
Accounts payable	(11,205)	326,809
Accrued payroll and related liabilities	(7,823)	98,300
Grants payable	-	(25,867)
Tenant deposits	-	45,142
Agency funds	-	(71,131)
Employee benefit plan liability	17,382	-
Operating lease liability	127,582	-
Total adjustments	<u>3,744,681</u>	<u>(5,324,803)</u>
Net Cash Provided (Used) by Operating Activities	7,014,518	11,669,274
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,716,577)	(2,889,854)
Proceeds from sale of investments	327,501	2,671,529
Payments related to the acquisition of property and equipment	<u>(2,581,024)</u>	<u>(13,525,626)</u>
Net Cash Provided (Used) by Investing Activities	(3,970,100)	(13,743,951)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuing note payable	-	9,500,000
Principal payments on note payable	<u>-</u>	<u>(2,000,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>7,500,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,044,418	5,425,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>12,572,554</u>	<u>7,147,231</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,616,972</u>	<u>\$ 12,572,554</u>
Supplemental disclosures:		
Interest paid	<u>\$ 214,589</u>	<u>\$ 227,663</u>
Non-cash supplemental disclosure:		
In-kind donation of goods and services	<u>\$ 15,113,820</u>	<u>\$ 17,675,684</u>
In-kind donation of facilities	<u>\$ 61,200</u>	<u>\$ 86,592</u>
Summary of cash and cash equivalents:		
Cash and cash equivalents	15,611,183	\$ 12,566,765
Cash held in endowment	<u>5,789</u>	<u>5,789</u>
Total cash and cash equivalents	<u>\$ 15,616,972</u>	<u>\$ 12,572,554</u>

See accompanying auditors' report and notes to financial statements.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. ORGANIZATION

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 provides support with the application process for the Supplemental Nutrition Assistance Program while offering nutrition education.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foodbank prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Foodbank are described below to enhance the usefulness and understandability of the financial statements.

Accrual Basis

The accompanying financial statements have been prepared on the accrual basis of accounting.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the Foodbank, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Foodbank's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is acquired or the funds are spent on the specified asset by the Foodbank, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor 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.

Grants, Contracts, Accounts and Other Receivables

Receivables 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. Receivables are written off when deemed uncollectible. In management's opinion, all receivables were collectible at year-end and therefore no allowance for doubtful accounts was considered necessary at June 30, 2023.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Promises to Give and Bequests Receivable, Net

The Foodbank initially records unconditional promises to give 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. Promises to give are discounted to their present value when payments are expected in future periods exceeding one year. These discounts are recorded as reductions to contribution revenue and promises to give, and are adjusted annually. 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 met. Intentions to give are not included as support until payments are made or enforceable promises to give are executed.

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.

Food Inventory

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

Deposits

Deposits and other costs are expensed ratably over their respective terms of agreement.

Beneficial Interest in Funds Held by Others

The Foodbank has the unconditional right to receive all of the cash flows from its beneficial interest in certain assets held by the Santa Barbara Foundation. The Foodbank records its beneficial interest at fair value using the fair value of the underlying funds. The change in the value of the beneficial interest is included in investment return in the statement of activities.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment, Net

Property and equipment are reported at cost, if purchased, or at fair value at the date of donation, if donated. 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. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$2,500 and the useful life is greater than one year. The estimated useful lives are as follows:

Furniture and equipment	5-10 years
Improvements	5-20 years
Structures	7-30 years
Vehicles	5-7 years

The Foodbank reviews the carrying values of property and equipment for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. Management has determined there were no indicators of asset impairment during the year ended June 30, 2023.

Vacation Policy

Vacation benefits are accrued on a bi-weekly basis. Full-time employees accrue vacation time based upon years of service to the Foodbank. All regular full and part-time employees, working 20 or more hours per week, and who have completed 90 days of employment are eligible to participate in the Foodbank's PTO program. Paid time off benefits will continue to be earned until a maximum of one and three quarters (1.75) times the annual paid time off benefit has been reached. Upon separation of employment, whether voluntary or involuntary, the employee will be paid all accrued but unused PTO at the employee's base rate of pay at the time of separation.

Total accrued vacation at June 30, 2023, was \$237,869.

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit required by the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Foodbank's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Foodbank.

Revenue Recognition

Revenues from government agencies, service fees, and other third-party payors for services provided under such contracts are recognized when earned by the Foodbank. All gifts, bequests, and other public support are included in net assets without donor restrictions unless specifically restricted by the donor or the terms of the gift or grant instrument. Revenue received where the restriction is met in the same fiscal year is reported under net assets without donor restrictions. Amounts received in excess of balances earned are recognized as liabilities.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. Consequently, at June 30, 2023, contributions approximating \$3,676,480 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met.

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-Kind Donations of Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Donated food and facilities of \$15,175,020 were received during the year ended June 30, 2023, which satisfied the criteria for recognition.

Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2023, the Foodbank received 31,703 hours of volunteer service from 1,925 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.

Allocated Expenses

The cost of providing the Foodbank's programs and other activities is summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. 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

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foodbank. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Foodbank is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

The Foodbank has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2023, the Foodbank had no material unrecognized tax benefits, tax penalties or interest.

The Foodbank's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended June 30, 2022, 2021, and 2020, are subject to examination by the IRS, generally for 3 years after they were filed. The Foodbank's Forms 199, *California Exempt Organization Return*, for each of the tax years ended June 30, 2022, 2021, 2020, and 2019 are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

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, the Foodbank's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foodbank's 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.

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foodbank's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2022 comparative totals have been reclassified to conform with the 2023 reporting format.

Adopted Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. During the year ended June 30, 2023, the Foodbank adopted Accounting Standards Update, ASU 2016-02, *Leases (Topic 842)*.

The Foodbank recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Foodbank is a lessee in several noncancellable operating leases, for space, vehicles, and office equipment. The Foodbank determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Foodbank recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Foodbank uses its incremental borrowing rate if applicable or comparable treasury bill rate.

The comparable treasury bill rate is used by the Foodbank for all leases. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The Foodbank reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the Foodbank has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. The alternatives, equity mutual funds, fixed income mutual funds, and long-term certificates of deposit are valued at quoted market prices, which represent the net asset value of shares held by the Foodbank at year end.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, the Foodbank measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

FOODBANK OF SANTA BARBARA COUNTY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

3. PROMISES TO GIVE AND BEQUESTS RECEIVABLE, NET

Promises to Give

The Foodbank has recorded unconditional promises to give totaling \$3,801,955 at June 30, 2023. The unconditional promises to give primarily relate to the capital campaign and operation of the Foodbank programs. The Foodbank considers the promises to give fully collectible; therefore, no provision has been made for uncollectible pledges receivable. Management has used a discount rate of 3%.

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, 2023 management has estimated the present value of the Foodbank's share of the Trust to be \$185,223. Management has used a discount rate of 2.5%.

Management anticipates collecting the above noted promises to give and bequest receivables as follows:

	Promises to Give	Bequest Receivable	Total
Within one year	\$ 1,873,955	\$ 3,000	\$ 1,876,955
Within two to five years	1,928,000	12,000	1,940,000
Thereafter	<u>-</u>	<u>170,223</u>	<u>170,223</u>
	3,801,955	185,223	3,987,178
Less discount	<u>(136,075)</u>	<u>(18,704)</u>	<u>(154,779)</u>
Net unconditional promises to give	<u>\$ 3,665,880</u>	<u>\$ 166,519</u>	<u>\$ 3,832,399</u>

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

4. INVESTMENTS

The Foodbank measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires the Foodbank to develop its own assumptions. The Foodbank uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foodbank measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at June 30, 2023, are Level 1 inputs.

Investments consist of the following at June 30, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
Alternatives	\$ 87,799	\$ 87,799
Equity mutual funds	3,040,544	3,040,544
Fixed income mutual funds	6,956,267	6,956,267
Long-term certificates of deposit	514,991	514,991
Total investments	<u>\$ 10,599,601</u>	<u>\$ 10,599,601</u>

At June 30, 2023, the Foodbank did not have any investments measured using Level 2 or Level 3 inputs.

The composition of the investment return reported in the statement of activities at June 30, 2023 is as follows:

	Amount
Investment income (net of \$25,866 in investment fees)	\$ 548,056
Realized gain (loss) on investments	12,529
Unrealized gain (loss) on investments	420,228
Total investment return	<u>\$ 980,813</u>

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

5. BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

Santa Barbara Foundation

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 value which is based on the reported net asset value of the fund as reported by the Santa Barbara Foundation.

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.

At June 30, 2023, the Foodbank had a beneficial interest in the Fund and is stated at fair value as a Level 2 classification. Investments are made up of pooled expendable funds held by the Foundation, stocks, mutual funds, treasury funds and certificates of deposits and are reported at their fair values in the statement of financial position. At June 30, 2023, the fair value of the Foodbank's share of the Fund was \$585,042.

The composition is as follows using Level 2 inputs:

	<u>Amount</u>
Beginning value	\$ 555,851
Contributions	-
Distributions	-
Dividends and interest reinvested	-
Realized and unrealized gain (loss)	29,191
Less investments fees	-
Total	<u>\$ 585,042</u>

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

6. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2023 consists of the following:

	Amount
Buildings	\$ 6,637,999
Construction in progress	1,752,617
Furniture and equipment	1,916,445
Land	8,000,000
Leasehold improvements	2,222,711
Vehicles	<u>1,571,264</u>
	22,101,036
Less accumulated depreciation	<u>(5,101,304)</u>
Total property and equipment, net	<u>\$ 16,999,732</u>

Total depreciation expense for the year ended June 30, 2023 was \$590,293.

7. 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, 2023 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, 2023 were \$27,844.

The note requires the Foodbank to make following payments:

- 24 monthly interest only payments beginning December 5, 2021 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 of 2.850%.
- 1 final payment to be made November 5, 2031 for any unpaid principal and accrued interest not yet paid.

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
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7. NOTE PAYABLE – Continued

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

Fiscal year ending:	Amount
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>(34,594)</u>
Note payable, net	<u><u>\$ 7,465,406</u></u>

8. COMMITMENTS

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 renovate 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 \$12.6M. As of January 11, 2024, management has entered into contracts totaling approximately \$12,624,740 for design and construction costs of which \$3,421,422 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 2024. The Foodbank did not utilize the line during the year ended June 30, 2023 and did not have a balance at June 30, 2023.

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

9. IN-KIND CONTRIBUTIONS

Valuation Techniques & Inputs

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by the Foodbank if not provided by donation. Natural classifications of in-kind expenses for the year ended June 30, 2023 are as follows:

	Amount
Donated facilities	\$ 61,200
Donated food	15,113,820
	<u>\$ 15,175,020</u>

Donated Facilities

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 value of the donated facilities.

Donated Food

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

Donor Restrictions

There were no donor restrictions on any in-kind contributions received during the year ended June 30, 2023.

Monetization of In-Kind Contributions

The Foodbank does not monetize in-kind contributions and only distributes goods or uses the services for program use.

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

10. EMPLOYEE BENEFIT PLAN

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 matching contributions that are not in excess of 3% of salary compensation. The employer contribution amount is paid every pay period. For the year ended June 30, 2023, the Foodbank contributed \$91,546.

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, 2023.

As of June 30, 2023, the asset and related liability of the 457(b) plan in the amount of \$202,242 are recorded in other assets and liabilities on the statement of financial position.

11. 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, 2023 and consist of the following:

	Amount
Bank charges	\$ 26
Maintenance	107,621
Management fees	24,000
Professional services	102
Utilities	120,104
Total rental expenses	<u>\$ 251,853</u>

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

12. LEASE COMMITMENTS

The Foodbank has obligations as a lessee for office equipment and vehicles with initial noncancelable terms in excess of one year. The Foodbank classified these leases as operating leases. Fixed payments are due under this lease. The Foodbank records short-term leases (those less than 12 months in duration) as operating expenditures in the period in which the lease obligations are incurred.

Information relating to operating lease cost and right-of-use (ROU) assets and liabilities as of and for the year ended June 30, 2023 are as follows:

Operating lease cost	\$ 68,418
Right-of-use assets, operating lease	\$ 127,582
Lease liability	\$ 127,582
Supplemental cash flow information –	
Cash flows related to operating leases:	
Operating cash flow to operating leases	\$ 68,418
ROU assets obtained in exchange for operating lease obligations (new leases):	\$ 194,904
Reductions to ROU assets resulting from reductions to operating lease obligations (payments on operating leases)	\$ (67,322)
Other information related to leases –	
Weighted average remaining lease term:	33.7 months
Weighted average discount rate:	2.99%

Payments required to be made on current operating leases over the next 4 years and thereafter, are as follows:

Year Ending June 30;	Amount
2024	\$ 63,587
2025	46,938
2026	28,772
2027	648
Total undiscounted lease payments	139,945
Less present value discount	(12,363)
Lease liability	<u>\$ 127,582</u>

FOODBANK OF SANTA BARBARA COUNTY
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023
(CONTINUED)

13. SPECIAL EVENTS

The Foodbank conducts various special fundraising events during the year. The revenue and expenses from these activities for the year ended June 30, 2023, were as follows:

Event	Revenue	Expenses	Total
Empty Bowls – Lompoc	\$ 55,568	\$ (2,952)	\$ 52,616
Empty Bowls – SB	108,223	(20,160)	88,063
Empty Bowls – SM	55,904	(5,722)	50,182
Table of Life Gala	209,383	(45,249)	164,134
Total special events, net	<u>\$ 429,078</u>	<u>\$ (74,083)</u>	<u>\$ 354,995</u>

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are part of the net assets of the Foodbank resulting from contributions and other inflows of assets whose use by the Foodbank is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foodbank pursuant to those stipulations.

Restricted for Specific Purpose:

Purpose	Balance at 6/30/22	Income	Expenditures	Balance at 6/30/23
Capital campaign – building & program capacity	\$ 7,928,822	\$2,285,522	\$ (259,342)	\$ 9,955,002
Endowment	410	-	-	410
Government food program – USDA food inventory	1,332,796	-	(1,332,796)	-
Special event sponsorships	35,836	73,805	(35,836)	73,805
Total	<u>9,297,864</u>	<u>2,359,327</u>	<u>(1,627,974)</u>	<u>10,029,217</u>

Restricted for Time:

Pledge receivable for facility leases	136,136	-	(136,136)	-
Unrestricted grants receivable	77,720	-	(77,720)	-
Unrestricted pledges and bequest receivable	<u>169,519</u>	<u>-</u>	<u>(3,000)</u>	<u>166,519</u>
Total	<u>\$ 9,681,239</u>	<u>\$2,359,327</u>	<u>\$ (1,844,830)</u>	<u>\$10,195,736</u>

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

Endowment	<u>\$ 5,379</u>
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15. BOARD DESIGNATED NET ASSETS

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

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

16. ACCOUNTING FOR ENDOWMENTS

Interpretation of Relevant Law

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.

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.

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16. ACCOUNTING FOR ENDOWMENTS - Continued

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.

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 endowment fund
- The purposes of the Foodbank and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foodbank
- The investment policy of the Foodbank

At June 30, 2023, the endowment comprised \$6,000,000 of net assets designated by the board of trustees and \$5,789 of net assets with donor restrictions.

The changes in board designated endowment net assets for the year ended June 30, 2023, are as follows:

	Board Designated
Endowment net assets, July 1, 2022	\$ 6,000,000
Contributions	-
Endowment net assets, June 30, 2023	<u>\$ 6,000,000</u>

The changes in endowment net assets for the year ended June 30, 2023, are as follows:

	With Donor Restrictions	Total
Endowment net assets, July 1, 2022	\$ 5,789	\$ 5,789
Contributions	-	-
Investment income	-	-
Endowment net assets, June 30, 2023	<u>\$ 5,789</u>	<u>\$ 5,789</u>

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by California UPMIFA is \$5,379 at June 30, 2023. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or California UPMIFA requires the Foodbank to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets without donor restrictions, when applicable. There were no such deficiencies as of June 30, 2023.

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17. CONCENTRATION RISK

Financial instruments that potentially subject the Foodbank's concentrations of credit risk consist principally of uninsured cash balances. The Foodbank places its cash deposits with high credit quality financial institutions. At times, balances in the Foodbank's cash accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. Uninsured balances at June 30, 2023 were approximately \$182,265.

A significant portion of the Foodbank's revenues and related grant receivables are derived from government grants and contracts. As of June 30, 2023 approximately 75% of pledges and bequests receivable are from 3 donors. Individual donors are primarily from Santa Barbara County, as are the clients of the Foodbank.

18. COMMITMENTS AND CONTINGENCIES

Governmental Funding

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, 2023, 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 the Foodbank cease to conduct business operations at that location.

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

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19. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by the Foodbank at June 30, 2023 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	<u>June 30, 2023</u>
Financial assets:	
Cash and cash equivalents	\$ 15,616,972
Grants and contracts receivables	754,757
Accounts and other receivables	31,519
Investments	<u>10,599,601</u>
Total financial assets	27,002,849
Less restrictions:	
Contractual or donor-imposed restrictions:	
Cash and cash equivalents	(6,362,927)
Restricted by donors with time or purpose restrictions	(10,195,736)
Endowment fund, for long term-investing	<u>(5,379)</u>
Total restrictions	<u>(16,564,042)</u>
Net Financial assets after donor-imposed restrictions that are available to meet cash needs for general expenditures within one year	<u>\$ 10,438,807</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.

20. SUBSEQUENT EVENTS

The Foodbank has evaluated events subsequent to June 30, 2023, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 11, 2024, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.