



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

FOOD SHARE, INC.

June 30, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
FOOD Share, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of FOOD Share, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FOOD Share, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Financial Statements

The financial statements of FOOD Share, Inc., as of June 30, 2020, and for the year then ended, were audited by other auditors whose report thereon, dated March 16, 2021, expressed an unmodified opinion on those statements.

Moss Adams LLP

Irvine, California
August 11, 2022

FOOD Share, Inc.
Statements of Financial Position

ASSETS		June 30,	
	<u>2021</u>	<u>2020</u>	
Cash and cash equivalents	\$ 8,335,015	\$ 4,347,384	
Accounts receivable	971,228	770,862	
Contribution receivable	562,748	-	
Prepaid expenses	94,233	37,095	
Food inventory	1,947,889	1,613,616	
Property and equipment, net	4,237,398	3,508,647	
Beneficial interest in assets held by Ventura County Community Foundation	<u>1,629,853</u>	<u>1,288,705</u>	
Total assets	<u>\$ 17,778,364</u>	<u>\$ 11,566,309</u>	
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 383,275	\$ 456,943	
Paycheck Protection Program loan	<u>330,200</u>	<u>330,200</u>	
Total liabilities	<u>713,475</u>	<u>787,143</u>	
NET ASSETS			
Without donor restrictions – undesignated	13,648,993	8,255,698	
Without donor restrictions – Board-designated	<u>463,913</u>	<u>366,811</u>	
Total net assets without donor restrictions	14,112,906	8,622,509	
With donor restrictions	<u>2,951,983</u>	<u>2,156,657</u>	
Total net assets	<u>17,064,889</u>	<u>10,779,166</u>	
Total liabilities and net assets	<u>\$ 17,778,364</u>	<u>\$ 11,566,309</u>	

FOOD Share, Inc.
Statements of Activities

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donated food	\$ 27,205,006	\$ 7,805,620	\$ 35,010,626
Contributions	7,086,462	997,944	8,084,406
In-kind contributions	57,400	-	57,400
Grants and contracts	6,198,528	-	6,198,528
Special events (net of direct donor benefit expenses of approximately \$9,000)	241,483	-	241,483
Other	41,683	-	41,683
Change in value of beneficial interest in assets held by Ventura County Community Foundation, net of expenses	97,102	244,046	341,148
Net assets released from donor restrictions	8,252,284	(8,252,284)	-
Total revenue and support	49,179,948	795,326	49,975,274
EXPENSES AND LOSSES			
Program services	42,019,576	-	42,019,576
Fundraising	1,042,387	-	1,042,387
Management and general	614,982	-	614,982
Total expenses	43,676,945	-	43,676,945
Loss on disposal of property and equipment	12,606	-	12,606
Total expenses and losses	43,689,551	-	43,689,551
CHANGE IN NET ASSETS	5,490,397	795,326	6,285,723
NET ASSETS, beginning of year	8,622,509	2,156,657	10,779,166
NET ASSETS, end of year	\$ 14,112,906	\$ 2,951,983	\$ 17,064,889

FOOD Share, Inc.
Statements of Activities (Continued)

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Donated food	\$ 18,969,837	\$ 5,360,039	\$ 24,329,876
Contributions	6,039,014	399,386	6,438,400
In-kind contributions	25,200	-	25,200
Grants and contracts	1,390,838	-	1,390,838
Special events (net of direct donor benefit expenses of \$40,733)	290,690	-	290,690
Other	26,557	-	26,557
Change in value of beneficial interest in assets held by Ventura County Community Foundation	3,472	11,569	15,041
Net assets released from donor restrictions	<u>6,800,417</u>	<u>(6,800,417)</u>	<u>-</u>
Total revenue and support	<u>33,546,025</u>	<u>(1,029,423)</u>	<u>32,516,602</u>
EXPENSES			
Program services	28,921,918	-	28,921,918
Fundraising	1,019,928	-	1,019,928
Management and general	<u>443,347</u>	<u>-</u>	<u>443,347</u>
Total expenses	<u>30,385,193</u>	<u>-</u>	<u>30,385,193</u>
CHANGE IN NET ASSETS	3,160,832	(1,029,423)	2,131,409
NET ASSETS, beginning of year	<u>5,461,677</u>	<u>3,186,080</u>	<u>8,647,757</u>
NET ASSETS, end of year	<u>\$ 8,622,509</u>	<u>\$ 2,156,657</u>	<u>\$ 10,779,166</u>

FOOD Share, Inc.
Statements of Functional Expenses

Year Ended June 30, 2021

	Program Services			Total Program Services	Fundraising	Management and General	Total Expenses
	Agency Distribution	Senior Nutrition	CSFP, EFAP, and Other				
Food distribution, fees, and processing*	\$ 30,797,103	\$ -	\$ 7,751,219	\$ 38,548,322	\$ -	\$ -	\$ 38,548,322
Salaries	598,289	52,895	353,892	1,005,076	328,574	443,405	1,777,055
Contract services	260,694	460	65,483	326,637	59,664	35,564	421,865
Grants to other organizations	249,507	-	-	249,507	-	-	249,507
Payroll taxes and employee benefits	228,751	20,809	104,455	354,015	111,059	113,122	578,196
Other	460,186	1,322	126,588	588,096	180,030	14,515	782,641
Printing and mailing	19,645	40	5,613	25,298	353,261	1,073	379,632
Vehicle and equipment	414,332	2,156	-	416,488	1,606	2,469	420,563
Depreciation	205,522	485	56,972	262,979	2,548	1,503	267,030
Insurance	91,764	217	28,087	120,068	2,873	1,695	124,636
Utilities	91,724	217	31,149	123,090	2,772	1,636	127,498
Total	\$ 33,417,517	\$ 78,601	\$ 8,523,458	\$ 42,019,576	\$ 1,042,387	\$ 614,982	\$ 43,676,945

*Includes distributed food of \$37,219,632 (see Note 3)

FOOD Share, Inc.
Statements of Functional Expenses (Continued)

Year Ended June 30, 2020

	Program Services						Total Program Services	Fundraising	Management and General	Total Expenses
	Agency Distribution	Senior Nutrition	Kids Farmers Market	Mobile Pantry	Disaster Relief	CSFP, EFAP, and Other				
Food distribution, fees, and processing*	\$ 20,384,290	\$ -	\$ 13,630	\$ -	\$ -	\$ 6,376,652	\$ 26,774,572	\$ -	\$ -	\$ 26,774,572
Salaries	47,416	94,656	6,292	9,138	175,119	648,832	981,453	362,196	217,970	1,561,619
Contract services	8,565	8,420	7,805	1,623	20,731	81,744	128,888	43,573	60,237	232,698
Payroll taxes and employee benefits	20,085	31,971	1,963	2,813	70,565	186,853	314,250	93,681	47,890	455,821
Other	21,856	12,035	3,778	2,106	55,768	158,182	253,725	159,205	65,978	478,908
Printing and mailing	471	483	64	93	1,022	3,945	6,078	275,921	3,899	285,898
Vehicle and equipment	7,795	14,883	1,670	15,553	29,542	154,408	223,851	6,210	12,206	242,267
Depreciation	11,102	7,867	1,057	1,503	32,139	74,795	128,463	24,280	12,363	165,106
Insurance	4,265	4,468	593	861	8,904	34,332	53,423	27,779	11,031	92,233
Utilities	4,560	4,781	635	922	9,534	36,783	57,215	27,083	11,773	96,071
Total	\$ 20,510,405	\$ 179,564	\$ 37,487	\$ 34,612	\$ 403,324	\$ 7,756,526	\$ 28,921,918	\$ 1,019,928	\$ 443,347	\$ 30,385,193

*Includes distributed food of \$26,647,296 (see Note 3)

FOOD Share, Inc.
Statements of Cash Flows

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,285,723	\$ 2,131,409
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	267,030	165,106
Loss on disposal of property and equipment	12,606	-
In-kind contribution of property and equipment	(7,000)	-
Donated food received	35,010,626	24,329,876
Donated food distributed	(33,905,120)	(25,754,049)
Change in value of beneficial interest in assets held by Ventura County Community Foundation	(341,148)	(15,041)
(Increase)/Decrease in operating assets		
Accounts receivable	(200,366)	(330,718)
Contribution receivable	(562,748)	-
Prepaid expenses	(57,138)	27,769
Food inventory	(1,439,779)	2,286,025
Beneficial interest in assets held by Ventura County Community Foundation	-	(53,750)
(Decrease)/Increase in operating liabilities		
Accounts payable and accrued liabilities	(73,668)	247,916
Net cash provided by operating activities	<u>4,989,018</u>	<u>3,034,543</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,001,387)</u>	<u>(350,156)</u>
Net cash used in investing activities	<u>(1,001,387)</u>	<u>(350,156)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds received from Paycheck Protection Program loan	<u>-</u>	<u>330,200</u>
Net cash provided by financing activities	<u>-</u>	<u>330,200</u>
NET INCREASE IN CASH	3,987,631	3,014,587
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,347,384</u>	<u>1,332,797</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 8,335,015</u>	<u>\$ 4,347,384</u>

Note 1 – Nature of Organization

FOOD Share, Inc. (“FOOD Share”) is a California nonprofit corporation dedicated to feeding, nourishing, and educating the hungry of Ventura County, educating the community on those who are hungry and why, and advocating for a reduction of the root causes of hunger. FOOD Share distributes millions of pounds of healthy food every year both through its own programs, such as Senior Kits, FOOD Share and Friends Mobile Pantry, and Kids’ Farmers’ Market, as well as through distribution via partner agencies. FOOD Share discontinued its Disaster Relief and Mobile Pantry program during the year ended June 30, 2021, and its Kids Farmers’ Market program was temporarily suspended due to COVID health restrictions.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting; consequently, revenues and gains are recognized when earned, and expenses are recognized when incurred regardless of the timing of cash flows.

Net assets – Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. 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-imposed restrictions. The Board of Directors (the “Board”) has designated, from net assets without donor restrictions, net assets for a Board-designated endowment. Refer to Note 5.

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. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents – FOOD Share maintains its cash in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. FOOD Share has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts. For the purpose of the statements of cash flows, FOOD Share considers all temporary, short-term, highly liquid investments purchased with original maturities of three months or less to be cash.

FOOD Share, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts receivable – Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The allowance for doubtful accounts, if applicable, is estimated based on historical collection trends, type of customer, the age of outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past-due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. The accounts receivable balance outstanding at June 30, 2021 and 2020, consists primarily of government contract receivables due from county, state, and federal granting agencies.

At June 30, 2021 and 2020, management evaluated the collectability of accounts receivable and determined that no allowance was considered necessary.

Food inventory – Food inventory is recorded at cost if purchased, or at fair value if donated. Inventory is expensed when the food is distributed. Fair value for donated food is determined with reference to studies performed by Feeding America.

Property and equipment – Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings and improvements	27–40 years
Equipment	5 years
Automobiles and trucks	7 years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than one year.

Long-lived assets – FOOD Share reviews long-lived assets 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 flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the years ended June 30, 2021 and 2020.

Paycheck Protection Program loan – Management has elected to account for the forgivable loan received under the Paycheck Protection Program (PPP) provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a debt instrument and to accrue interest on the outstanding loan balance. The proceeds from the loan will remain recorded as a liability until either: (1) the loan is, in part or wholly, forgiven or FOOD Share has been legally released; or (2) FOOD Share repays the loan to the lender.

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition – For the year ended June 30, 2021, FOOD Share adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* using the full retrospective method. The adoption did not require a prior period adjustment and the adoption did not have a significant impact on the financial statements.

Contributions – FOOD Share recognizes contributions when cash, securities, or other assets, an unconditional promise to give, or a notification of a beneficial interest are received. Contributions receivable are discounted to their present value when payments are expected in future periods exceeding one year. There was one contribution receivable at June 30, 2021, that was collected in full in the subsequent year; therefore, no present value discount or allowance was recorded.

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.

Donated food – FOOD Share receives a significant amount of contributed food inventory. In addition to donations of food from the local agriculture community, another major source of contributed food is the United States Department of Agriculture (USDA), which allocates food commodities to FOOD Share under the Emergency Food Assistance Program (EFAP) and the Commodity Supplemental Food Program (CSFP). Under these programs, food commodities are distributed without cost to all eligible participants within the approved service areas. All donated food is valued at fair value, which is determined by FOOD Share with reference to studies performed by Feeding America.

Feeding America, the national food bank network which sets the standards for fiscal operations of food banks, valued commodities at \$1.74 per pound for the year ended June 30, 2021. Feeding America valued commodities at \$1.69 per pound for the year ended June 30, 2020. The donated commodities distributed includes spoilage and shrinkage for the years ended June 30, 2021 and 2020, of \$627,537 and \$617,670, respectively.

In-kind contributions – Contributions of donated services are recognized if the services received: (a) create or enhance long-lived assets; or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. FOOD Share was granted temporary use of a warehouse valued at an estimated at \$50,400 and \$25,200 for the years ended June 30, 2021 and 2020, respectively, and FOOD Share also received a donated vehicle valued at \$7,000 in 2021.

(Unaudited) Additionally, a substantial number of volunteers have donated significant amounts of their time to FOOD Share. Some of the services that these individuals rendered, however, do not meet the above criteria and, as such, are not recognized as revenue. However, during the years ended June 30, 2021 and 2020, volunteers donated more than 79,200 and 58,500 hours, respectively, valued at an estimated \$2,262,000 and \$1,590,000, respectively. (The value of volunteer time is calculated by The Independent Sector based on the average hourly earnings of all production and non-supervisory workers on private non-farm payrolls, as determined by the Bureau of Labor Statistics.)

FOOD Share, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Grants and contracts – FOOD Share receives grants from various federal, state, and local government funding sources. These funds are to be spent on specific purposes. Many of the grants are subject to annual budget negotiations and availability of funds. Revenue from grants and contracts that are nonreciprocal is treated like contributions. If the grant or contract is conditional, a barrier to entitlement exists, and revenue is recognized when the barrier is considered overcome and as allowable expenditures under such agreements are incurred, as an increase to net assets without donor restrictions.

Consequently, revenue for these transactions is recognized as expenditures are incurred. Any difference between expenses incurred and total funds received (not to exceed the grant maximum) is recorded as advances on conditional grants. Advances on conditional grants are recognized as revenue in future periods as services are performed.

Special events – Revenues from special events consist of contributions, sponsorships, and registration fees. Revenue from sponsorships and registration fees are deferred and recognized once the event has occurred.

Advertising and marketing – FOOD Share makes the public aware of its outreach and food distribution programs through various forms of marketing and media. These costs are charged as incurred. Total advertising and marketing expenses were approximately \$94,000 and \$52,000 for the years ended June 30, 2021 and 2020, respectively.

Income taxes – FOOD Share is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, FOOD Share recognizes the impact of tax positions in the financial statements if that position is more-likely-than-not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2021, FOOD Share performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

Fair value measurements – FOOD Share has implemented the fair value accounting standard for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates, and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

Note 2 – Summary of Significant Accounting Policies (continued)

Functional allocation of expenses – The costs of providing FOOD Share’s programs and other activities have been summarized on a functional basis in the statements of activities and presented by natural classification in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Food distribution, fees, and processing are allocated based on the poundage of food distributed. All other expenses that cannot be directly attributed to a function are accumulated and allocated based on direct costs for that respective program.

Concentration of credit risk – Credit risk is the failure of a third party to perform according to contract terms. The potential credit risk for FOOD Share lies in concentrations of accounts receivable from granting agencies and investments such as those held with the Ventura County Community Foundation (VCCF) that are exposed to various risks such as interest rates, credit, and overall market volatility risks. While FOOD Share attempts to minimize its exposure to credit risk, it is reasonably possible that changes in the values of these investments will occur due to market volatility, which could materially impact FOOD Share’s investment holdings and the amounts reported in the financial statements. Additionally, at June 30, 2021, approximately 90% of accounts receivable were due from three local government agencies.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

New accounting pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the financial statements. For FOOD Share, the ASU will be effective for the year ending June 30, 2023.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. For FOOD Share, the ASU will be effective for the year ended June 30, 2022.

Reclassifications – For comparability, certain June 30, 2020 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used at June 30, 2021.

FOOD Share, Inc.

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events – FOOD Share has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2021, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through August 11, 2022, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, other the forgiveness of FOOD Share's PPP Loan as discussed in Note 7 and the acquisition of property as discussed in Note 12.

Note 3 – Food Inventory

Changes in food inventory during the years ended June 30, 2021 and 2020, are summarized as follows:

<u>Dollar value</u>	2021			
	<u>Beginning Food Inventory</u>	<u>Food Acquired</u>	<u>Food Distributed</u>	<u>Ending Food Inventory</u>
CSFP and EFAP	\$ 858,534	\$ 7,805,620	\$ 7,673,016	\$ 991,138
Donated and purchased	755,082	29,748,285	29,546,616	956,751
Total	<u>\$ 1,613,616</u>	<u>\$ 37,553,905</u>	<u>\$ 37,219,632</u>	<u>\$ 1,947,889</u>
<u>Poundage (measured in pounds)</u>	<u>Beginning Food Inventory</u>	<u>Food Acquired</u>	<u>Food Distributed</u>	<u>Ending Food Inventory</u>
CSFP and EFAP	497,081	4,613,386	4,543,987	566,480
Donated and purchased	777,815	21,452,785	21,519,830	710,770
Total	<u>1,274,896</u>	<u>26,066,171</u>	<u>26,063,817</u>	<u>1,277,250</u>
<u>Dollar value</u>	2020			
	<u>Beginning Food Inventory</u>	<u>Food Acquired</u>	<u>Food Distributed</u>	<u>Ending Food Inventory</u>
CSFP and EFAP	\$ 1,872,567	\$ 5,360,039	\$ 6,374,072	\$ 858,534
Donated and purchased	602,901	20,425,405	20,273,224	755,082
Total	<u>\$ 2,475,468</u>	<u>\$ 25,785,444</u>	<u>\$ 26,647,296</u>	<u>\$ 1,613,616</u>
<u>Poundage (measured in pounds)</u>	<u>Beginning Food Inventory</u>	<u>Food Acquired</u>	<u>Food Distributed</u>	<u>Ending Food Inventory</u>
CSFP and EFAP	1,108,803	3,169,210	3,780,932	497,081
Donated and purchased	361,148	13,898,329	13,481,662	777,815
Total	<u>1,469,951</u>	<u>17,067,539</u>	<u>17,262,594</u>	<u>1,274,896</u>

FOOD Share, Inc.
Notes to Financial Statements

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30, 2021:

	<u>2021</u>	<u>2020</u>
Land	\$ 706,193	\$ 706,193
Buildings and improvements	4,153,202	4,071,586
Equipment	1,066,540	1,060,164
Automobiles and trucks	1,184,314	789,057
Construction in progress	<u>305,356</u>	<u>15,727</u>
Total	7,415,605	6,642,727
Less: accumulated depreciation	<u>(3,178,207)</u>	<u>(3,134,080)</u>
Property and equipment, net	<u>\$ 4,237,398</u>	<u>\$ 3,508,647</u>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$267,030 and \$165,106, respectively. Construction in progress at June 30, 2021, related to a shed expansion project that was completed and placed into service shortly after year-end. There were no significant commitments for construction at June 30, 2021.

Note 5 – Beneficial Interest in Assets Held by Ventura County Community Foundation and Endowments

FOOD Share has established two endowment funds at VCCF through the transfer of certain funds with and without donor restrictions to VCCF. FOOD Share’s board has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as requiring the preservation of the fair value of each original endowment gift absent explicit donor stipulations to the contrary. As a result of this interpretation, FOOD Share has classified as net assets with donor restrictions (a) the original value of gifts donated to the endowment and held in perpetuity, (b) the original value of subsequent gifts to the endowment with donor restrictions, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment income and accumulated gains and losses are classified as net assets with donor restrictions until amounts are appropriated for expenditure by FOOD Share in a manner consistent with the standard of prudence prescribed by CPMIFA.

In accordance with CPMIFA, FOOD Share considers the following factors in making a determination to appropriate or accumulate endowment funds: the duration and preservation of the fund; the purpose of 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 FOOD Share resources; and the investment policies of FOOD Share.

FOOD Share, Inc.
Notes to Financial Statements

Note 5 – Beneficial Interest in Assets Held by Ventura County Community Foundation and Endowments (continued)

Return objectives and risk parameters – FOOD Share has adopted endowment investment and spending policies that attempt to generate a return to cover the projected annual appropriations while maintaining the principal value of the endowment over a long investment horizon. Due to the longer investment horizon, the portfolio is held in a beneficial interest of the VCCF operating endowment. This investment is focused on both capital appreciation and current income.

Strategies employed for achieving investment objectives – To achieve its long-term rate of return objectives, FOOD Share relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). FOOD Share believes that its investment held with VCCF will achieve its long-term objectives with prudent risk constraints.

Relationship of spending policy to investment objectives – The Board-designated endowment has been established to support general operations and any future budgetary deficits of FOOD Share and is available for distribution upon request from VCCF within a short period of time. Distributions from the donor-restricted endowment are subject to the endowment spending policy of VCCF and shall not exceed 5% of the fair value of the assets of the funds as determined using the average balance of the funds over the prior 12 quarters. FOOD Share received no distributions from either endowment for the years ended June 30, 2021 and 2020. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the statement of activities as a change in value of beneficial interest in assets held by VCCF. These changes include interest and dividend income as determined by VCCF, realized and unrealized gains and losses, and are net of a VCCF support fee and other investment management fee.

Endowment net asset composition – Endowment net assets with donor restrictions consist of the following at June 30:

	2021	2020
Held in perpetuity	\$ 921,262	\$ 921,262
Accumulated gains	244,678	632
Total net assets with donor restrictions	\$ 1,165,940	\$ 921,894

Endowment funds with deficits – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). There were no funds with deficits at June 30, 2021 and 2020.

FOOD Share, Inc.
Notes to Financial Statements

Note 5 – Beneficial Interest in Assets Held by Ventura County Community Foundation and Endowments (continued)

The beneficial interest in assets held by VCCF is valued using Level 3 inputs and the table below sets forth a summary of the composition of the VCCF endowment funds at June 30, 2021 and 2020, as well as the changes in fair value for the years then ended.

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Asset Composition by			
Type of Fund at June 30, 2021			
Board-designated	\$ 463,913	\$ -	\$ 463,913
Donor-restricted	-	1,165,940	1,165,940
	<u>\$ 463,913</u>	<u>\$ 1,165,940</u>	<u>\$ 1,629,853</u>
Changes in Endowment Net Assets			
for the Year Ended June 30, 2021			
Endowment net assets, beginning of year	\$ 366,811	\$ 921,894	\$ 1,288,705
Change in value of beneficial interest	97,102	244,046	341,148
	<u>\$ 463,913</u>	<u>\$ 1,165,940</u>	<u>\$ 1,629,853</u>
Endowment net assets, end of year			
	<u>\$ 463,913</u>	<u>\$ 1,165,940</u>	<u>\$ 1,629,853</u>
Endowment Net Asset Composition by			
Type of Fund at June 30, 2020			
Board-designated	\$ 366,811	\$ -	\$ 366,811
Donor-restricted	-	921,894	921,894
	<u>\$ 366,811</u>	<u>\$ 921,894</u>	<u>\$ 1,288,705</u>
Changes in Endowment Net Assets			
for the Year Ended June 30, 2020			
Endowment net assets, beginning of year	\$ 309,589	\$ 910,325	\$ 1,219,914
Additions (new endowment fund)	53,750	-	53,750
Change in value of beneficial interest	3,472	11,569	15,041
	<u>\$ 366,811</u>	<u>\$ 921,894</u>	<u>\$ 1,288,705</u>
Endowment net assets, end of year			
	<u>\$ 366,811</u>	<u>\$ 921,894</u>	<u>\$ 1,288,705</u>

Note 6 – Line of Credit Facility

FOOD Share has a bank line of credit with a facility of \$500,000 (secured by real property) through January 2024. The line of credit bears interest at the greater of 3.5% or the bank's prime rate plus 0.5%. The bank's prime rate at June 30, 2021, was 3.25%. There were no draws outstanding on the line of credit at June 30, 2021.

FOOD Share, Inc.

Notes to Financial Statements

Note 7 – Paycheck Protection Program Loan and Subsequent Event

In April 2020, FOOD Share received a PPP loan in the amount of \$330,200. The PPP loan, administered by the Small Business Administration (SBA), bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. Interest accrues on the loan beginning with the initial disbursement; however, payments of principal and interest are deferred until the lender's determination of the amount of forgiveness applied for by the borrower is approved by the SBA. If FOOD Share does not apply for forgiveness within 10 months after the last day of the covered period (defined, at FOOD Share's election, as either 8 weeks or 24 weeks), such payments will be due that month.

FOOD Share intends to apply for forgiveness of the PPP loan with respect to the eligible expenses incurred during the covered period. To the extent that all or part of the PPP loan is not forgiven, FOOD Share will be required to pay interest on the PPP loan at a rate of 1.0% per annum. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

At June 30, 2021 and 2020, the total outstanding balance of the PPP loan was \$330,200. Subsequent to year-end, FOOD Share applied for and was formally granted forgiveness for the full amount of the loan including accrued interest in October 2021.

Note 8 – Employee Benefit Plan

FOOD Share has established a 403(b) tax-sheltered annuity plan for its full-time employees. Full-time employees are eligible to participate in the plan and may contribute up to the maximum allowable by the Internal Revenue Code. FOOD Share matches up to 3% of salary for eligible and participating employees. FOOD Share contributed \$27,826 and \$22,387 to the plan during the years ended June 30, 2021 and 2020, respectively.

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Food Assistance Program (USDA Food Inventory)	\$ 991,138	\$ 858,534
Food sourcing	-	226,287
Other	232,157	149,942
Restricted for the passage of time	562,748	-
VCCF Endowment	<u>1,165,940</u>	<u>921,894</u>
Total net assets with donor restrictions	<u>\$ 2,951,983</u>	<u>\$ 2,156,657</u>

Note 9 – Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30:

	2021	2020
Distribution of USDA Food Inventory	\$ 7,673,016	\$ 6,374,072
Wildfire disaster relief	-	403,189
Other	579,268	23,156
Total net assets released from donor restrictions	\$ 8,252,284	\$ 6,800,417

Note 10 – Commitments, Contingencies, and Uncertainties

FOOD Share’s grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and accordingly, no provision has been made in these financial statements.

FOOD Share is obligated under one noncancelable operating lease for use of a warehouse through March 2023. Minimum lease commitments are \$119,192 for the year ending June 30, 2022, and \$91,390 for the year ending June 30, 2023.

In March 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency. FOOD Share’s operations are concentrated in California and at times throughout the fiscal year restricted public gatherings and at times implemented shelter-in-place restrictions. FOOD Share continues its normal operations while closely monitoring employees and its supply to offer food distribution services. FOOD Share will continue to monitor the situation closely, but given the uncertainty, management cannot estimate the impact to the financial statements.

FOOD Share, Inc.

Notes to Financial Statements

Note 11 – Liquidity and Availability of Financial Resources

The total financial assets held by FOOD Share at June 30, 2021 and 2020, and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 8,335,015	\$ 4,347,384
Accounts receivable	971,228	770,862
Contribution receivable	562,748	-
Beneficial interest in assets held by Ventura County Community Foundation	<u>1,629,853</u>	<u>1,288,705</u>
Financial assets at June 30	11,498,844	6,406,951
Less those unavailable for general expenditures within one year due to		
Endowment and board designated assets	<u>1,629,853</u>	<u>1,288,705</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,868,991</u>	<u>\$ 5,118,246</u>

FOOD Share regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Feeding America requires FOOD Share to demonstrate unrestricted cash reserves equal or greater than an average quarter's cash operating expenses or demonstrate positive working capital in each of the two preceding fiscal years. At June 30, 2021 and 2020, FOOD Share was in compliance with this requirement.

As part of FOOD Share's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As described in Note 5, FOOD Share also has a Board-designated endowment fund that could be drawn upon in the event of unanticipated liquidity needs.

Note 12 – Subsequent Events

In August 2022, FOOD Share entered into a revolving line of credit with a financial institution for \$6.8 million that matures in August 2032. Interest rates will be assigned as funds are drawn. In August 2022, FOOD Share acquired a vacant property located in Oxnard, California, for approximately \$6.2 million for the purpose of constructing a new facility. FOOD Share drew down approximately \$4.5 million in the form of a loan from the revolving line of credit to fund the acquisition. The remaining approximately \$1.7 million was funded with operating cash of FOOD Share. The loan bears interest at a fixed rate of 3.750% per annum and matures in August of 2024. The line of credit and loan are secured by the property and any rental income or other revenues generated from the property.