



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**FOOD SHARE, INC.**

June 30, 2022 and 2021

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## Report of Independent Auditors

The Board of Directors  
FOOD Share, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of FOOD Share, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FOOD Share, Inc. as of June 30, 2022 and 2021, and the changes of its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FOOD Share, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***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 FOOD Share, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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



Irvine, California  
March 31, 2023

**FOOD Share, Inc.**  
**Statements of Financial Position**

**ASSETS**

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 9,538,195	\$ 8,335,015
Accounts receivable	472,961	971,228
Contribution receivable	-	562,748
Prepaid expenses and deposits	529,288	94,233
Food inventory	1,894,324	1,947,889
Property and equipment, net	4,460,507	4,237,398
Beneficial interest in assets held by Ventura County Community Foundation	1,453,609	1,629,853
Total assets	\$ 18,348,884	\$ 17,778,364

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 623,743	\$ 383,275
Paycheck Protection Program loan	-	330,200
Total liabilities	623,743	713,475

**NET ASSETS**

Without donor restrictions – undesignated	14,702,275	13,648,993
Without donor restrictions – Board-designated	413,748	463,913
Total net assets without donor restrictions	15,116,023	14,112,906
With donor restrictions	2,609,118	2,951,983
Total net assets	17,725,141	17,064,889
Total liabilities and net assets	\$ 18,348,884	\$ 17,778,364

**FOOD Share, Inc.**  
**Statements of Activities**

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS, AND SUPPORT</b>			
Donated food	\$ 17,062,384	\$ 7,555,406	\$ 24,617,790
Contributions	5,772,122	-	5,772,122
In-kind contributions	63,397	-	63,397
Grants and contracts	2,372,997	-	2,372,997
Special events (net of direct donor benefit expenses of approximately \$26,000)	238,195	-	238,195
Gain on forgiveness of Paycheck Protection Program (PPP)	330,200	-	330,200
Other	13,464	-	13,464
Change in value of beneficial interest in assets held by Ventura County Community Foundation, net of expenses	(50,165)	(126,079)	(176,244)
Gain on disposal of property and equipment	4,300	-	4,300
Net assets released from donor restrictions	7,772,192	(7,772,192)	-
<b>Total revenue, gains, and support</b>	<b>33,579,086</b>	<b>(342,865)</b>	<b>33,236,221</b>
<b>EXPENSES</b>			
Program services	30,248,480	-	30,248,480
Fundraising	1,051,368	-	1,051,368
Management and general	1,276,121	-	1,276,121
<b>Total expenses</b>	<b>32,575,969</b>	<b>-</b>	<b>32,575,969</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,003,117</b>	<b>(342,865)</b>	<b>660,252</b>
<b>NET ASSETS, beginning of year</b>	<b>14,112,906</b>	<b>2,951,983</b>	<b>17,064,889</b>
<b>NET ASSETS, end of year</b>	<b>\$ 15,116,023</b>	<b>\$ 2,609,118</b>	<b>\$ 17,725,141</b>

**FOOD Share, Inc.**  
**Statements of Activities (Continued)**

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
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	<u>49,179,948</u>	<u>795,326</u>	<u>49,975,274</u>
<b>EXPENSES AND LOSSES</b>			
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	<u>43,689,551</u>	<u>-</u>	<u>43,689,551</u>
<b>CHANGE IN NET ASSETS</b>	5,490,397	795,326	6,285,723
<b>NET ASSETS, beginning of year</b>	<u>8,622,509</u>	<u>2,156,657</u>	<u>10,779,166</u>
<b>NET ASSETS, end of year</b>	<u>\$ 14,112,906</u>	<u>\$ 2,951,983</u>	<u>\$ 17,064,889</u>

**FOOD Share, Inc.**  
**Statements of Functional Expenses**

	Year Ended June 30, 2022					Total Expenses
	Program Services		Total Program Services	Fundraising	Management and General	
	Agency Distribution	CSFP, EFAP, and Other				
Food distribution, fees, and processing*	\$ 20,237,597	\$ 6,940,076	\$ 27,177,673	\$ -	\$ -	\$ 27,177,673
Salaries	559,221	422,361	981,582	407,912	471,538	1,861,032
Contract services	129,639	122,846	252,485	90,534	134,665	477,684
Grants to other organizations	48,075	-	48,075	-	-	48,075
Payroll taxes and employee benefits	221,896	118,685	340,581	110,467	146,984	598,032
Other	400,278	150,310	550,588	93,649	331,217	975,454
Printing and mailing	8,344	7,194	15,538	273,410	96,249	385,197
Vehicle and equipment	178,693	140,571	319,264	1,019	5,191	325,474
Depreciation	259,055	102,415	361,470	26,844	32,582	420,896
Insurance	47,133	61,278	108,411	26,210	31,813	166,434
Utilities	38,346	54,467	92,813	21,323	25,882	140,018
<b>Total</b>	<b>\$ 22,128,277</b>	<b>\$ 8,120,203</b>	<b>\$ 30,248,480</b>	<b>\$ 1,051,368</b>	<b>\$ 1,276,121</b>	<b>\$ 32,575,969</b>

\*Includes distributed food of \$25,882,230 (see Note 3)



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

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
<b>Total</b>	<b>\$ 33,417,517</b>	<b>\$ 78,601</b>	<b>\$ 8,523,458</b>	<b>\$ 42,019,576</b>	<b>\$ 1,042,387</b>	<b>\$ 614,982</b>	<b>\$ 43,676,945</b>

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

**FOOD Share, Inc.**  
**Statements of Cash Flows**

	Years Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 660,252	\$ 6,285,723
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	420,896	267,030
(Gain)/loss on disposal of property and equipment	(4,300)	12,606
Gain on forgiveness of PPP loan	(330,200)	-
In-kind contribution of property and equipment	-	(7,000)
Donated food received	24,617,790	35,010,626
Donated food distributed	(25,882,230)	(33,905,120)
Donated vehicles received	63,397	7,000
Change in value of beneficial interest in assets held by Ventura County Community Foundation	176,244	(341,148)
(Increase)/decrease in operating assets		
Accounts receivable	498,267	(200,366)
Contribution receivable	562,748	(562,748)
Prepaid expenses and deposits	(435,055)	(57,138)
Food inventory	1,318,005	(1,439,779)
(Decrease)/increase in operating liabilities		
Accounts payable and accrued liabilities	240,468	(73,668)
Net cash provided by operating activities	<u>1,906,282</u>	<u>4,996,018</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(703,102)</u>	<u>(1,008,387)</u>
Net cash used in investing activities	<u>(703,102)</u>	<u>(1,008,387)</u>
<b>NET INCREASE IN CASH</b>	1,203,180	3,987,631
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>8,335,015</u>	<u>4,347,384</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 9,538,195</u></u>	<u><u>\$ 8,335,015</u></u>

**Note 1 – Nature of Organization**

FOOD Share, Inc. (“FOOD Share”) is a California nonprofit corporation dedicated to feeding, nourishing, and 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 nutritious food every year both through its own direct programs, such as Senior Kits, drive-thru distributions, and Kids’ Farmers’ Market, as well as through distribution via its network of partner agencies. Utilizing a workforce of nearly 3000 volunteers, FOOD Share is able to reach the estimated one in four people in Ventura County considered food insecure.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of presentation** – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) 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 with five different banks 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

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#### 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, 2022 and 2021, consists primarily of government contract receivables due from county, state, and federal granting agencies.

At June 30, 2022 and 2021, 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, 2022 and 2021.

**Paycheck Protection Program loan** – Management 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 accrued interest on the outstanding loan balance. The loan was subject to forgiveness if FOOD Share used all proceeds for eligible purposes in accordance with the CARES Act. FOOD Share applied for and was formally granted forgiveness for the full amount of the loan on October 26, 2021. The outstanding balance has been derecognized as a loan payable at June 30, 2022, and recognized on the statement of activities during the year ended June 30, 2022.

**Note 2 – Summary of Significant Accounting Policies (continued)**

**Revenue recognition**

*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 \$1.79 per pound for the year ended June 30, 2022. Feeding America valued commodities at \$1.74 per pound for the year ended June 30, 2021. The donated commodities distributed includes spoilage and shrinkage for the years ended June 30, 2022 and 2021, of \$426,432 and \$627,537, respectively.

*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 no contribution receivable at June 30, 2022. 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.

*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.

(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, 2022 and 2021, volunteers donated more than 47,900 and 79,200 hours, respectively, valued at an estimated \$1,436,000 and \$2,262,000, 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**

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#### **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 \$254,000 and \$94,000 for the years ended June 30, 2022 and 2021, respectively and are included within other expenses on the statement of functional expenses.

**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 years ended June 30, 2022 and 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, 2022 and 2021, approximately 73% and 90% of accounts receivable were due from three local government agencies, respectively.

**Use of estimates** – The preparation of financial statements in conformity with GAAP 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.

**Recently adopted accounting pronouncements** – 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.

**Subsequent events** – FOOD Share has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 31, 2023, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred, other than the acquisition of property as discussed in Note 12.

**FOOD Share, Inc.**  
**Notes to Financial Statements**

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**Note 3 – Food Inventory**

Changes in food inventory during the years ended June 30, 2022 and 2021, are summarized as follows:

	2022			
Dollar value	Beginning Food Inventory	Food Acquired	Food Distributed	Ending Food Inventory
CSFP and EFAP	\$ 991,138	\$ 7,555,406	\$ 7,275,915	\$ 1,270,629
Donated and purchased	956,751	18,273,259	18,606,315	623,695
Total	<u>\$ 1,947,889</u>	<u>\$ 25,828,665</u>	<u>\$ 25,882,230</u>	<u>\$ 1,894,324</u>
Poundage (measured in pounds)	Beginning Food Inventory	Food Acquired	Food Distributed	Ending Food Inventory
CSFP and EFAP	566,480	4,189,734	4,025,967	730,247
Donated and purchased	710,770	14,217,688	14,488,816	439,642
Total	<u>1,277,250</u>	<u>18,407,422</u>	<u>18,514,783</u>	<u>1,169,889</u>
	2021			
Dollar value	Beginning Food Inventory	Food Acquired	Food Distributed	Ending Food Inventory
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>
Poundage (measured in pounds)	Beginning Food Inventory	Food Acquired	Food Distributed	Ending Food Inventory
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>



**Note 4 – Property and Equipment**

Property and equipment consist of the following at June 30:

	2022	2021
Land	\$ 706,193	\$ 706,193
Buildings and improvements	4,681,161	4,153,202
Equipment	1,204,985	1,066,540
Automobiles and trucks	1,299,967	1,184,314
Construction in progress	109,922	305,356
Total	8,002,228	7,415,605
Less: accumulated depreciation	(3,541,721)	(3,178,207)
Property and equipment, net	\$ 4,460,507	\$ 4,237,398

Depreciation expense for the years ended June 30, 2022 and 2021, was \$420,896 and \$267,030, respectively. Construction in progress at June 30, 2022, related to a new refrigerated truck. There were no significant commitments for construction at June 30, 2022.

**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

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#### 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, 2022 and 2021. 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:

	2022	2021
Held in perpetuity	\$ 921,262	\$ 921,262
Accumulated gains	118,599	244,678
Total net assets with donor restrictions	\$ 1,039,861	\$ 1,165,940

**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, 2022 and 2021.

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, 2022 and 2021, as well as the changes in fair value for the years then ended.

**FOOD Share, Inc.**  
**Notes to Financial Statements**

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Asset Composition by Type of Fund at June 30, 2022			
Board-designated	\$ 413,748	\$ -	\$ 413,748
Donor-restricted	-	1,039,861	1,039,861
	\$ 413,748	\$ 1,039,861	\$ 1,453,609
Changes in Endowment Net Assets for the Year Ended June 30, 2022			
Endowment net assets, beginning of year	\$ 463,913	\$ 1,165,940	\$ 1,629,853
Change in value of beneficial interest	(50,165)	(126,079)	(176,244)
Endowment net assets, end of year	\$ 413,748	\$ 1,039,861	\$ 1,453,609
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
	\$ 463,913	\$ 1,165,940	\$ 1,629,853
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
Endowment net assets, end of year	\$ 463,913	\$ 1,165,940	\$ 1,629,853

**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, 2022, was 4.75%. There were no draws outstanding on the line of credit at June 30, 2022 and 2021. Subsequent to year end the line of credit was closed (see Note 12).

## FOOD Share, Inc.

### Notes to Financial Statements

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#### Note 7 – Donated Food, Warehouse Space, and Commodities

FOOD Share receives various forms of gifts-in-kind (GIK) including food and non-food items such as vehicles and use of a warehouse. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. GIK are valued based upon estimates of fair value or wholesale values that would be received for selling the goods in their principal market considering their condition and utility at the time the foods are contributed by the donor. Donated GIK are not sold and goods are only distributed for program use. Non-financial contributions were monetized for the years ended June 30, 2022 and 2021.

Non-financial contributions category	Valuation	2022	2021
Food	Feeding America valuation	\$ 24,617,790	\$ 35,010,626
Use of warehouse	Based on price per square foot of similar properties	-	50,400
Vehicles	Based on comparable sales from vehicle resale sources	<u>63,397</u>	<u>7,000</u>
		<u>\$ 24,681,187</u>	<u>\$ 35,068,026</u>

#### 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 \$35,456 and \$27,826 to the plan during the years ended June 30, 2022 and 2021, respectively.

#### Note 9 – Net Assets with Donor Restrictions

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

	2022	2021
Food Assistance Program (USDA Food Inventory)	\$ 1,270,629	\$ 991,138
Food sourcing	298,628	-
Other	-	232,157
Restricted for the passage of time	-	562,748
VCCF Endowment	<u>1,039,861</u>	<u>1,165,940</u>
Total net assets with donor restrictions	<u>\$ 2,609,118</u>	<u>\$ 2,951,983</u>

**FOOD Share, Inc.**  
**Notes to Financial Statements**

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**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:

	2022	2021
Distribution of USDA Food Inventory	\$ 6,937,338	\$ 7,673,016
Restricted for the passage of time	562,748	-
Other	272,106	579,268
Total net assets released from donor restrictions	\$ 7,772,192	\$ 8,252,284

**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 noncancelable operating leases for use of a warehouse, vehicles, and office equipment through June 2026. Future minimum lease payments are as follows:

Years Ending June 30,		
2023	\$	226,266
2024		233,669
2025		214,964
2026		123,569
Total	\$	798,468

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

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#### Note 11 – Liquidity and Availability of Financial Resources

The total financial assets held by FOOD Share at June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 9,538,195	\$ 8,335,015
Accounts receivable	472,961	971,228
Contribution receivable	-	562,748
Beneficial interest in assets held by Ventura County Community Foundation	<u>1,453,609</u>	<u>1,629,853</u>
Financial assets at June 30	11,464,765	11,498,844
Less those unavailable for general expenditures within one year due to		
Endowment and board designated assets	<u>1,453,609</u>	<u>1,629,853</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,011,156</u>	<u>\$ 9,868,991</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, 2022 and 2021, 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. The outstanding line of credit was paid off on September 16, 2022. Both the line of credit utilized for this purchase and the line of credit discussed in Note 6 were subsequently closed.

On November 10, 2022, FOOD Share extended its warehouse lease for two years, ending March 31, 2025. The related commitment is included in Note 10.