

San Francisco Food Bank
dba San Francisco-Marin Food Bank
Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
San Francisco Food Bank
dba San Francisco-Marín Food Bank
San Francisco, California

We have audited the accompanying consolidated financial statements of San Francisco Food Bank dba San Francisco-Marín Food Bank (the "Food Bank"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Food Bank dba San Francisco-Marín Food Bank as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent firm
associated with Moore
Global Network Limited

Emphasis of Matter

As described in Note 18 of the financial statements, 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. However, the ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited San Francisco Food Bank dba San Francisco-Marin Food Bank's 2020 consolidated financial statements, and our report dated November 23, 2020 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

January 6, 2022

San Francisco Food Bank
 dba San Francisco-Marín Food Bank
 Consolidated Statement of Financial Position
 June 30, 2021
 (With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 69,696,478	\$ 39,133,095
Investments in marketable securities	4,559,100	1,929,498
Accounts receivable from affiliated agencies	9,990	1,725
Government grants receivable	2,853,680	2,635,339
Pledges receivable, current portion	1,722,400	3,172,307
Inventory	8,358,471	5,864,927
Prepaid expenses and other assets	449,314	307,106
Total current assets	87,649,433	53,043,997
Noncurrent assets		
Property and equipment, net	24,787,555	19,368,660
Board designated investments in marketable securities	7,000,000	5,000,000
Pledges receivable, net of current portion	4,953,897	6,922,660
Total noncurrent assets	36,741,452	31,291,320
Total assets	\$ 124,390,885	\$ 84,335,317
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 3,205,170	\$ 762,991
Accrued expenses	1,736,067	1,541,847
Refundable advance - Paycheck Protection Program	2,268,962	2,268,962
Deferred revenue	37,500	-
Total current liabilities	7,247,699	4,573,800
Note payable	5,717,178	5,717,178
Total liabilities	12,964,877	10,290,978
Net assets		
Without donor restrictions		
Undesignated	6,330,558	6,815,944
Inventory	8,358,471	5,864,927
Property and equipment	12,330,433	12,522,772
Board designated - operating reserve	25,000,000	12,000,000
Board designated - emergency response and recovery reserve	20,000,000	12,000,000
Board designated - climate, facilities, and capacity reserve	15,000,000	7,000,000
Total without donor restrictions	87,019,462	56,203,643
With donor restrictions	24,406,546	17,840,696
Total net assets	111,426,008	74,044,339
Total liabilities and net assets	\$ 124,390,885	\$ 84,335,317

The accompanying notes are an integral part of these consolidated financial statements.

San Francisco Food Bank
dba San Francisco-Marín Food Bank
Consolidated Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support and revenue				
Contributions in-kind	\$ 66,066,392	\$ -	\$ 66,066,392	\$ 54,633,031
Contributions	49,577,777	9,048,304	58,626,081	57,561,968
Governmental support - in-kind food	55,962,725	-	55,962,725	32,770,975
Governmental support - cash	19,580,840	-	19,580,840	7,470,207
Net investment income	998,923	-	998,923	450,510
Shared maintenance fees	199,631	-	199,631	208,904
Other income, net	109,160	-	109,160	72,358
Special events (includes in-kind income of \$26,288 for June 30, 2020)	-	-	-	1,177,318
Net assets released from restrictions	2,482,454	(2,482,454)	-	-
Total support and revenue	<u>194,977,902</u>	<u>6,565,850</u>	<u>201,543,752</u>	<u>154,345,271</u>
Functional expenses				
Program services				
Healthy children pantries	6,145,835	-	6,145,835	8,175,355
Brown bag pantries serving seniors	18,511,287	-	18,511,287	16,314,615
Neighborhood pantries	112,679,839	-	112,679,839	62,667,596
Supplemental food program for seniors	6,720,935	-	6,720,935	8,102,414
Agency distribution	9,404,727	-	9,404,727	9,695,532
Advocacy and education	2,132,119	-	2,132,119	2,520,512
Total program services	<u>155,594,742</u>	<u>-</u>	<u>155,594,742</u>	<u>107,476,024</u>
Support services				
Management and general	2,898,561	-	2,898,561	2,057,425
Fundraising	5,668,780	-	5,668,780	4,390,502
Total support services	<u>8,567,341</u>	<u>-</u>	<u>8,567,341</u>	<u>6,447,927</u>
Total functional expenses	<u>164,162,083</u>	<u>-</u>	<u>164,162,083</u>	<u>113,923,951</u>
Change in net assets (see Note 3)	30,815,819	6,565,850	37,381,669	40,421,320
Net assets, beginning of year	<u>56,203,643</u>	<u>17,840,696</u>	<u>74,044,339</u>	<u>33,623,019</u>
Net assets, end of year	<u>\$ 87,019,462</u>	<u>\$ 24,406,546</u>	<u>\$111,426,008</u>	<u>\$ 74,044,339</u>

The accompanying notes are an integral part of these consolidated financial statements.

San Francisco Food Bank
 dba San Francisco-Marín Food Bank
 Consolidated Statement of Functional Expenses
 For the Year Ended June 30, 2021
 (With Comparative Totals for 2020)

	Program Services						Support Services				2021 Total	2020 Total
	Healthy Children Pantries	Brown Bag Pantry Serving Seniors	Neighborhood Pantry	Supplemental Food Program For Seniors	Agency Distribution	Advocacy and Education	Total Program Services	Management and General	Fundraising	Total Support Services		
Donated food distributed	\$ 4,855,651	\$ 9,158,772	\$ 90,073,176	\$ 5,469,815	\$ 7,959,262	\$ -	\$117,516,676	\$ -	\$ -	\$ -	\$117,516,676	\$ 85,405,302
Salaries	403,332	3,143,883	8,509,716	721,308	603,104	1,114,585	14,495,928	1,703,996	3,034,533	4,738,529	19,234,457	12,399,402
Food procurement	552,115	2,375,415	6,303,462	-	376,818	-	9,607,810	-	-	-	9,607,810	3,893,307
Outside services	26,312	671,105	529,708	50,708	39,126	130,639	1,447,598	529,810	1,062,318	1,592,128	3,039,726	1,535,892
Employee benefits	57,440	432,546	1,204,430	111,936	86,831	160,817	2,054,000	245,736	386,001	631,737	2,685,737	2,019,186
Freight and storage	83,929	490,015	1,274,031	11,306	91,572	-	1,950,853	-	-	-	1,950,853	1,206,076
Occupancy	28,659	270,649	776,978	61,015	43,792	73,065	1,254,158	65,340	123,596	188,936	1,443,094	545,974
Payroll taxes	30,490	198,511	576,906	54,092	45,693	84,921	990,613	129,160	201,859	331,019	1,321,632	877,368
Donated services and supplies	7,766	544,907	573,359	14,385	12,603	19,960	1,172,980	28,918	48,360	77,278	1,250,258	1,441,307
Depreciation and amortization	26,343	176,640	474,342	47,865	42,143	69,306	836,639	100,591	166,182	266,773	1,103,412	954,569
Vehicle expenses	17,308	201,116	539,111	16,226	23,584	1,778	799,123	2,747	4,245	6,992	806,115	512,012
Warehouse supplies	6,449	184,807	418,141	96,199	9,104	-	714,700	-	-	-	714,700	462,712
Donated rent	3,246	274,580	321,703	-	4,432	-	603,961	-	-	-	603,961	169,408
Utilities	13,978	92,893	299,731	19,455	19,760	39,753	485,570	28,516	51,929	80,445	566,015	400,140
Marketing and events	1,103	9,329	22,116	1,146	1,659	1,714	37,067	2,609	469,857	472,466	509,533	534,407
Equipment expenses	10,104	110,915	290,812	12,170	14,237	10,222	448,460	14,669	22,731	37,400	485,860	316,980
Public affairs	707	5,082	15,752	1,285	1,047	384,028	407,901	3,584	17,745	21,329	429,230	384,429
Miscellaneous	7,899	91,536	214,461	13,709	11,260	12,814	351,679	18,849	29,850	48,699	400,378	393,599
Insurance	6,694	37,973	114,318	9,881	9,595	5,485	183,946	6,953	11,829	18,782	202,728	163,059
Interest	2,820	12,583	66,801	2,562	3,666	13,352	101,784	2,542	9,839	12,381	114,165	124,921
Office/computer supplies	1,422	13,241	36,706	2,522	2,190	4,073	60,154	6,133	9,854	15,987	76,141	69,913
Printed materials and postage	1,322	8,865	27,572	1,957	2,047	3,280	45,043	5,105	12,502	17,607	62,650	76,788
Conferences and training	609	4,622	12,783	1,145	993	1,945	22,097	2,705	4,591	7,296	29,393	29,467
Volunteer services	137	1,302	3,724	248	209	382	6,002	598	959	1,557	7,559	7,733
	<u>\$ 6,145,835</u>	<u>\$ 18,511,287</u>	<u>\$112,679,839</u>	<u>\$ 6,720,935</u>	<u>\$ 9,404,727</u>	<u>\$ 2,132,119</u>	<u>\$155,594,742</u>	<u>\$ 2,898,561</u>	<u>\$ 5,668,780</u>	<u>\$ 8,567,341</u>	<u>\$164,162,083</u>	<u>\$113,923,951</u>
Percentage of total	<u>3.7 %</u>	<u>11.3 %</u>	<u>68.6 %</u>	<u>4.1 %</u>	<u>5.7 %</u>	<u>1.3 %</u>	<u>94.7 %</u>	<u>1.8 %</u>	<u>3.5 %</u>	<u>5.3 %</u>	<u>100.0 %</u>	

The accompanying notes are an integral part of these consolidated financial statements.

San Francisco Food Bank
 dba San Francisco-Marín Food Bank
 Consolidated Statement of Cash Flows
 For the Year Ended June 30, 2021
 (With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 37,381,669	\$ 40,421,320
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,103,412	954,569
In-kind contributions of food	(119,625,335)	(85,793,291)
Distribution of food received in-kind	117,516,676	85,405,302
Contributions received for capital campaign	(10,102,587)	(9,398,789)
Net realized and unrealized gains on investments	(814,025)	(256,479)
Changes in operating assets and liabilities		
Accounts receivable from affiliated agencies	(8,265)	1,005
Government grants receivable	(218,341)	(1,762,031)
Pledges receivable	3,418,670	(2,805,831)
Inventory	(384,885)	(666,710)
Prepaid expenses and other assets	(142,208)	260,055
Accounts payable	975,862	80,838
Accrued expenses	194,220	280,656
Refundable advance - Paycheck Protection Program	-	2,268,962
Deferred revenue	37,500	(62,500)
Net cash provided by operating activities	29,332,363	28,927,076
Cash flows from investing activities		
Purchase of property and equipment	(5,055,990)	(3,943,660)
Purchase of investments	(7,106,547)	(1,329,609)
Proceeds from sale of investments	3,290,970	1,143,657
Net cash used in investing activities	(8,871,567)	(4,129,612)
Cash flows from financing activities		
Contributions received for capital campaign	10,102,587	9,398,789
Principal payments on note payable	-	(75,142)
Net cash provided by financing activities	10,102,587	9,323,647
Net increase in cash and cash equivalents	30,563,383	34,121,111
Cash and cash equivalents, beginning of year	39,133,095	5,011,984
Cash and cash equivalents, end of year	\$ 69,696,478	\$ 39,133,095

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 114,165	\$ 124,921
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The accompanying notes are an integral part of these consolidated financial statements.

San Francisco Food Bank
dba San Francisco-Marín Food Bank
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS

The San Francisco Food Bank (dba "San Francisco-Marín Food Bank", referred to hereafter as "Food Bank"), was founded in 1987 and is the largest distributor of food to low-income families and individuals in San Francisco and Marin Counties. The Food Bank is a lifeline to healthy, nourishing food that empowers kids to learn, adults to focus on work, and seniors to stay healthy and active. The Food Bank works in many ways to address hunger - from its flagship pantry network and home-delivered groceries program, to advocating for improved food programs and CalFresh (food stamps) enrollment. The Food Bank meets more of the community need in its service area than any other food bank in the country according to Feeding America's annual Meals Distributed as percentage of Meal Gap in Service Area report.

Last year, the Food Bank distributed nearly 80 million pounds of food, over 1/3 more than the previous year. The Food Bank recovers fresh produce and pantry staples from farmers and manufacturers who produce more food than they can sell; more than 56% of food distributed is fresh fruits and vegetables. Prior to the COVID-19 outbreak, the Food Bank served more than 30,000 families each week at its weekly farmer's market style pantries and delivered weekly groceries to more than 3,500 seniors and other participants with low-mobility. More than 70% of its food went out through its pantry network.

Dramatic increase in need - With the onset of the pandemic and the beginning of shelter-in-place in March 2020, almost 100 of its 270 weekly pantries were forced to close as the Food Bank simultaneously began to see a dramatic increase in requests for food assistance. In response, the Food Bank opened 24 walk-up "pop-up" pantries, mostly in large, outdoor spaces that would allow for social distancing and 3 drive-through pop-up pantries. Each pantry was 5-10x larger than the average pre-pandemic pantry, which allowed the Food Bank to nearly double the number of families it was serving, reaching more than 55,000 households weekly at the height of its COVID-19 response efforts. The Food Bank's home-delivered grocery program also experienced a dramatic increase from about 250 deliveries a week to ~12,000 weekly to try to serve all its participants who had previously been able to attend pantries in person.

There is no vaccine for hunger - The increased need for food assistance persists and likely will last for several years. The Food Bank continues to operate 27 pop-up pantries (including 3 drive-through) and distribute food to over 52,000 households weekly including 8,000 households that receive home-delivered groceries through its Pantry-At-Home program.

Increased support in response to the increase in need - Volunteers are essential to the Food Bank model. More than 65,000 volunteers were engaged this year to pack and deliver bags of groceries as well as sort and repack produce and other food as quickly as possible. Volunteers handled almost 45% of food distributed, nearly a 50% increase over the prior year driven by the pandemic response.

San Francisco Food Bank
dba San Francisco-Marin Food Bank
Notes to Consolidated Financial Statements
June 30, 2021
(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS (continued)

The Food Bank also engaged over 51,000 donors in FY20-21 and saw a significant increase in revenue to support the Food Bank's COVID-19 response efforts. Donors contributed a total of \$58.6 million to support the Food Bank in FY20-21, which resulted in a surplus at fiscal year-end on June 30, 2021. At the end of FY20-21, the Board of Directors (the "Board") increased the organization's Operating Reserve to \$25 million so that it now covers six months of projected operating expenses (the recommended amount for this reserve). In addition, the board has increased the Food Bank's Emergency Response and Recovery reserve to \$20 million to support current and future efforts to feed the community in times of unexpected and significant need.

Ongoing need for the community's increased support - The economic fall-out from the pandemic has created a long-term need for the Food Bank to maintain the sharply increased levels of service. Consequently, the Food Bank has seen a 100% increase in ongoing expenses over the past two years, and it will take considerable time for the annual fundraising to sustainably grow to support this increase in annual expenses. For FY21-22, the Board has approved an operating budget with a projected \$6.8 million deficit.

In addition to this, the Food Bank obtained cash support equal to 5% of total support and revenue from the following government agencies:

United States Department of Agriculture (USDA) - Emergency Food Assistance Program

- Emergency Food Assistance Program
- Coronavirus Response and Relief Supplemental Appropriations Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security Act

This USDA revenue represents federal funds which have been distributed through the California Department of Social Services. The funds are designated to partially cover the costs of distributing USDA commodities to nonprofit agencies serving low-income families and individuals through their emergency meal and pantry programs.

United States Department of Agriculture (USDA) - Commodity Supplemental Food Program (CSFP)

CSFP is partially funded by the USDA and state-administered by the California Department of Social Services. CSFP provides a monthly box of nutritious USDA commodity food products to eligible seniors.

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Notes to Consolidated Financial Statements
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(With Comparative Totals for 2020)

1. NATURE OF OPERATIONS (continued)

United States Department of Agriculture (USDA) - CalFresh Outreach Program

CalFresh (California's name for SNAP, formerly Food Stamps) outreach is funded by the USDA in an effort to get benefits to those who qualify for this underutilized federal program. One initiative is CalFresh-In-A-Day, a partnership with the City and County of San Francisco to provide next-day benefits.

United States Department of Treasury (USDT) - Coronavirus Relief Fund

This revenue represents federal funds which have been distributed through the California Department of Social Services to assist with COVID-19 response efforts. The funds are designated for food purchase as well as operating expenses.

City and County of San Francisco Human Services Agency (HSA), Department of Homelessness and Supportive Housing (DHS) and Department of Public Health (DPH)

HSA, DHS, and DPH funds are designated to provide weekly groceries to low-income immigrants, senior citizens, persons with disabilities, persons with HIV/AIDS, and formerly homeless individuals. HSA funds also provide a nutritionally balanced three-day supply of emergency food to eligible families and individuals.

2. PROGRAM SERVICES

COVID-19 Food Programs

In response to the ongoing need for increased food assistance, the Food Bank continues to operate over two dozen large-scale pantries. These Pop-Up Pantries (both walk-up and drive-thru) provide weekly groceries to those who lost access to food due to the pandemic. In addition, the Pantry-At-Home Program (formerly the Home-Delivered Groceries Program) continues to provide weekly groceries to many of its senior participants who can no longer access their regular pantries. This program also has expanded to include others who may have difficulty accessing a pantry, such as families with pregnant mothers, infants, or children with disabilities.

Ongoing Pantry Programs

The Food Bank has a variety of ongoing pantry programs designed to provide a lifeline for people who need help. The pantries provide food to low-income seniors, families, children, and other individuals, enabling them to plan and prepare meals in their own homes, an essential aspect of promoting good health, normalcy, and dignity. Relying largely on the support of grants and contributions, the Food Bank operates the following types of pantries:

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Notes to Consolidated Financial Statements
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2. PROGRAM SERVICES (continued)

Ongoing Pantry Programs (continued)

- *Healthy Children Pantries* - this program combats child hunger by distributing nutritious foods every week in family-friendly environments such as public schools, childcare centers, parenting support centers and other child-focused locations. The ongoing school closures brought on by the pandemic temporarily suspended most of these pantries through June 2021.
- *Brown Bag Pantries Serving Seniors* - this program enables the Food Bank to help low-income seniors and adults with disabilities secure immediate access to nutritious food. The Food Bank provides weekly groceries to thousands of older adults struggling to maintain their health and independence.
- *Neighborhood Pantries* - the Food Bank established a network of weekly pantries to serve economically distressed communities and reach target populations in need of food assistance. The *Immigrant Food Assistance Pantries* initiative focuses on low-income immigrants struggling with language and cultural barriers. The *Community Food Assistance Partners Pantries* distribute food to families living in public housing developments. The *Supportive Housing Pantries* distribute easily prepared fresh and packaged products to formerly homeless individuals living in permanent housing with supportive services. The *Neighborhood Grocery Network Pantries* distributes supplemental weekly groceries to working poor families and low-income individuals.
- *College Pantries* - In 2017, the Food Bank partnered with San Francisco State University and College of Marin to connect low-income students with healthy food and CalFresh right on campus. In 2018, it expanded this program to UCSF, City College of San Francisco, and Dominican College (Marin). When low-income college students can focus on their studies, instead of worrying about how to afford their next meal, they are much more likely to succeed. Eligible students can access free, fresh produce and other groceries on a weekly basis. By providing food right on campus, the Food Bank makes it easy for students to drop in, pick up food, and get back to the hard work of pursuing their education. School closures brought on by the pandemic have temporarily suspended most of these pantries.

Supplemental Food Program for Seniors

This program provides a monthly box of nutritious USDA food to more than 9,000 low-income senior citizens.

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2. PROGRAM SERVICES (continued)

Agency Distribution Shopping Program

More than 200 of the Food Bank's member agencies, including community centers, religious organizations, soup kitchens, shelters, affordable housing, senior programs, AIDS support programs, and childcare centers visit the warehouse on a regular basis to select bread, dry goods, meat, and fresh produce for their clients.

Advocacy and Education

Food Bank advocacy efforts focus on optimizing under-utilized government food assistance programs (e.g., CalFresh, the state's food stamp program, and San Francisco's public school meals program), eliminating bureaucracy and red tape that prevents low-income individuals from receiving assistance, improving program quality and participation, and offering recommendations to elected officials and community leaders to reduce barriers to food for low-income residents of San Francisco and Marin. Food Bank education programs raise public awareness about the problem of hunger, help mobilize support for government programs and policies that provide adequate nutrition for low-income people, inform and assist low-income households to apply for CalFresh and promote healthy eating and nutrition basics.

3. CHANGE IN NET ASSETS

Year ended June 30, 2021

The positive change in net assets for the year ended June 30, 2021 continues to be largely due to operating funds raised in response to the COVID-19 pandemic as well as the Food Bank's ongoing capital campaign. The economic fallout from the pandemic could last several years. The operating funds will be used in these years to address the ongoing need to provide more food to the community including more equitable access to food. The capital funds now are being used to expand the Food Bank's San Francisco facility to better meet this need.

Year ended June 30, 2020

The positive change in net assets for the year ended June 30, 2020 is largely due to operating funds raised in response to the COVID-19 pandemic as well as the Food Bank's ongoing capital campaign. The economic fallout from the pandemic could last several years. The operating funds will be used in these years to address the ongoing need to provide more food to the community. The capital funds will be used in subsequent years to expand the Food Bank's San Francisco facility to better meet this need.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of San Francisco Food Bank and its wholly-owned subsidiary End Hunger, LLC (a California limited liability company). End Hunger, LLC was formed for the purpose of acquiring and holding a building located at 2550 Kerner Boulevard, San Rafael, California. This warehouse/office building serves as the hub for the Food Bank's efforts to end hunger in Marin county. All material intercompany transactions have been eliminated upon consolidation.

Basis of accounting

The financial statements of San Francisco Food Bank have been prepared on the accrual basis of accounting.

Financial statement presentation

The Food Bank follows standards of accounting and financial reporting for voluntary health and welfare organizations. In accordance with accounting principles generally accepted in the United States of America, the Food Bank reports its consolidated financial position and operating activities in two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restrictions* - include those assets used to carry out the operations of the Food Bank. Under this category, the Food Bank maintains an operating fund, any net assets designated by the Board for specific purposes, inventory, and property and equipment funds.
- *Net assets with donor restrictions* - include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.

Adoption of accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including consideration to include in the transaction price and allocating the transaction price to each performance obligation. Revenue from contribution and investment income are not impacted by this new standard.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of accounting principle (continued)

The Food Bank adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the full retrospective method. Based on the Food Bank's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of this standard.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. 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 Food Bank's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

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 the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents include highly liquid investments and investments with a maturity of three months or less and exclude donor restricted receipts for long-term purposes. The Food Bank maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Food Bank has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts, grants, and pledges receivable

Accounts receivable represent amounts due from affiliated agencies and are stated at the amount the Food Bank expects to collect for shared maintenance fees. Government grants receivable represent grants from government agencies. Pledges receivable represent contributions receivable. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved if the discount amount is considered material. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful accounts, grants and or pledges receivable is established based on management's judgment including such factors as prior collection history, type of receivable and current aging of the receivables. Receivables are charged against the allowance when the Food Bank determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of June 30, 2021 and 2020 the allowance for doubtful accounts was \$25,000 and \$25,000, respectively.

Inventory

Inventory consists of donated non-government food, purchased food, and United States Department of Agriculture (USDA) food commodities received from the government. Donated non-government products were valued at \$1.79 and \$1.74 per pound for the years ended June 30, 2021 and 2020, respectively. Donated government food was valued at \$1.70 and \$1.49 per pound for the years ended June 30, 2021 and 2020, respectively. This valuation is based on a cost study conducted for Feeding America. Purchased food is valued at the latest purchase price.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Depreciation and amortization is computed on the straight-line method based on the estimated useful lives of the assets, which range from three to seven years for vehicles, office furniture and equipment, and thirty-nine years for buildings and building improvements. Equipment purchases over \$3,000 are capitalized. Depreciation and amortization is recorded as a decrease in net assets without donor restrictions and the expense is charged to the activity benefiting from the use of the facilities or equipment. Amounts expended for maintenance and repairs are charged to operations as incurred.

The Food Bank regularly evaluates its long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the asset's fair market value or discounted estimates of future cash flows. The Food Bank has not identified any such impairment losses to date.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains or losses are included in the change in net assets. The Board of Directors designated \$7,000,000 of the total investment balance as a facilities reserve not to be used for operating purposes.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Food Bank. Unobservable inputs reflect the Food Bank's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Food Bank's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

All of the Food Bank's assets and liabilities are classified as Level 1 with the exception of donated food. All donated non-government food and USDA food commodities inventory are classified as Level 2 assets. The Food Bank did not have any assets or liabilities classified as Level 3.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30. The maximum vacation time that can be accrued and carried over to the next year is 200 hours. The accrued vacation balance as of June 30, 2021 and 2020 was \$735,978 and \$540,116, respectively, and is included in accrued expenses.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. The Food Bank will not recognize a conditional promise to give until the conditions on which the promise depends are substantially met. A promise that calls for specific outcomes to be achieved will be treated as a conditional promise to give. Contributions are recorded as with or without donor restrictions depending on the nature of donor restrictions. For contributions with donor restrictions funds are reported as increases in restricted net assets. When the restriction is met, the amount is shown as a reclassification of net assets with donor restrictions to net assets without restrictions.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either grants and contributions revenue with or without restriction.

The Food Bank receives a significant amount of governmental cash and in-kind food assistance. The governmental cash assistance is received through reimbursement-based local, state and federally funded programs. The revenue generated from these programs is recorded as governmental support in the consolidated statement of activities. This governmental support meets the criteria to be classified as conditional contributions under GAAP revenue recognition for nonprofit organizations as it contains barriers related to incurrence of qualifying expenditures and a right of return or release. The Food Bank has elected a simultaneous release option to account for these grants. Therefore, they are recorded as governmental support without donor restrictions upon satisfaction of the barriers. In the event amounts are received and have not been earned, the Food Bank records such amounts as a refundable advance until earned.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in-kind

Donated non-government products were valued at \$1.79 and \$1.74 per pound for the years ended June 30, 2021 and 2020, respectively. Donated government food was valued at \$1.70 and \$1.49 per pound for the years ended June 30, 2021 and 2020, respectively. This valuation is based on a cost study conducted for Feeding America. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Food Bank would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Food Bank also receives donated services that do not require specific expertise but which are nonetheless central to the Food Bank's operations. While these contributed services are not reflected in the consolidated financial statements the estimated value of these services is disclosed in Note 15.

Allocation of functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited based on an analysis of personnel time and poundage of food distributed by each program.

Allocation of joint costs

The Food Bank accounts for joint costs in accordance with accounting principles generally accepted in the United States of America. The Food Bank is required to record all of the costs of certain activities as fundraising expenses, rather than allocating certain costs to various programs of the Food Bank. For the years ended June 30, 2021 and 2020, the Food Bank incurred costs of \$1,006,500 and \$1,062,328, respectively, for informational materials and activities that include fundraising appeals. Of these costs, \$966,846 and \$979,133, respectively was allocated to fundraising expense, \$39,654 and \$83,195, respectively was allocated to programs, and no amounts required allocation to management and general expense.

Income taxes

The Food Bank is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a).

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Food Bank in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Food Bank's federal returns for the years ended June 30, 2020, 2019, and 2018 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Food Bank's state returns for the years ended June 30, 2020, 2019, 2018, and 2017 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Advertising costs

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2021 and 2020 totaled \$188,869 and \$195,490, respectively.

Subsequent events

The Food Bank has evaluated subsequent events through January 6, 2022, the date the consolidated financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Food Bank's consolidated financial statements.

5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following:

	2021	2020
Amount due in less than one year	\$ 1,722,400	\$ 3,172,307
Amounts due in one to five years	4,953,897	6,922,660
	\$ 6,676,297	\$ 10,094,967

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6. INVENTORY

Inventory consists of donated non-government food, purchased food, and United States Department of Agriculture (USDA) food commodities received from the government. Donated non-government products were valued at \$1.79 and \$1.74 per pound for the years ended June 30, 2021 and 2020, respectively. Donated government food was valued at \$1.70 and \$1.49 per pound for the years ended June 30, 2021 and 2020, respectively. This valuation is based on a cost study conducted for Feeding America.

Inventory consisted of the following:

	2021	2020
USDA food commodities	\$ 6,066,652	\$ 3,555,932
Donated non-government food	1,101,128	1,503,188
Purchased food	1,190,691	805,807
	\$ 8,358,471	\$ 5,864,927

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2021	2020
Building	\$ 11,736,061	\$ 11,736,061
Construction in progress	6,739,944	1,128,710
Land	5,459,568	5,459,568
Vehicles	3,611,371	3,544,227
Building improvements	3,568,704	3,553,314
Warehouse equipment	1,321,253	966,437
Office furniture equipment	1,320,363	1,228,031
Leasehold improvements	253,986	132,998
Other depreciable property	34,749	34,749
	34,045,999	27,784,095
Accumulated depreciation and amortization	(9,258,444)	(8,415,435)
	\$ 24,787,555	\$ 19,368,660

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 totaled \$1,103,412 and \$954,569, respectively.

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8. INVESTMENTS IN MARKETABLE SECURITIES AND FAIR VALUE DISCLOSURES

The following table sets forth by level, within the fair value hierarchy, the Food Bank's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Bond fund	\$ 6,756,207	\$ -	\$ -	\$ 6,756,207
Equity fund	<u>4,802,893</u>	<u>-</u>	<u>-</u>	<u>4,802,893</u>
	<u>\$11,559,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,559,100</u>

The following table sets forth by level, within the fair value hierarchy, the Food Bank's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Bond fund	\$ 4,656,712	\$ -	\$ -	\$ 4,656,712
Equity fund	<u>2,272,786</u>	<u>-</u>	<u>-</u>	<u>2,272,786</u>
	<u>\$ 6,929,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,929,498</u>

Net investment income for the year consisted of the following:

	<u>2021</u>	<u>2020</u>
Net realized and unrealized gains	\$ 814,025	\$ 256,479
Interest and dividend income	<u>184,898</u>	<u>194,031</u>
	<u>\$ 998,923</u>	<u>\$ 450,510</u>

Details of the investments in marketable securities are as follows as of June 30, 2021:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Appreciation</u>
Bond fund	\$ 6,756,207	\$ 6,705,286	\$ 50,921
Equity fund	<u>4,802,893</u>	<u>3,934,758</u>	<u>868,135</u>
	<u>\$ 11,559,100</u>	<u>\$ 10,640,044</u>	<u>\$ 919,056</u>

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8. INVESTMENTS IN MARKETABLE SECURITIES AND FAIR VALUE DISCLOSURES
 (continued)

Details of the investments in marketable securities are as follows as of June 30, 2020:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Appreciation</u>
Bond fund	\$ 4,656,712	\$ 4,443,192	\$ 213,520
Equity fund	<u>2,272,786</u>	<u>2,186,746</u>	<u>86,040</u>
	<u>\$ 6,929,498</u>	<u>\$ 6,629,938</u>	<u>\$ 299,560</u>

9. REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM

On April 16, 2020, the Food Bank received loan proceeds of \$2,268,962 from a promissory note issued by MUFG Union Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration ("SBA"). The term on the loan is two years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. As of June 30, 2021 and 2020, the PPP loan is reported as Refundable advance - Paycheck Protection Program on the consolidated statement of financial position and disclosed as a conditional government grant (see Note 13). The Food Bank has submitted its forgiveness application during year ended June 30, 2022. The loan will be recognized as contribution in the consolidated statement of activities in the period the Food Bank receives formal approval of forgiveness from the SBA.

10. NOTE PAYABLE

San Francisco Food Bank filed and incorporated a limited liability company, "End Hunger, LLC" dated December 21, 2017 for the purpose of acquiring and holding a building located at 2550 Kerner Boulevard, San Rafael, California from Siesta Investments, LLC. Once the entity was incorporated, End Hunger, LLC entered into an operating agreement with San Francisco Food Bank dated December 21, 2017.

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10. NOTE PAYABLE (continued)

On January 4, 2018, End Hunger, LLC entered into a promissory note agreement, secured by the property, with Siesta Investments, LLC for the principal sum of \$6,000,000. During the year ended June 30, 2020, End Hunger, LLC entered into an amended and restated promissory note agreement with Siesta Investments, LLC to restructure the loan for the principal balance of \$5,717,178. The amended and restated note is secured by the property and bears interest of 1.6%. Interest only payments are due monthly commencing on January 1, 2020. The note matures on December 1, 2044 at which time a final payment in the aggregate amount of the then outstanding and unpaid loan amount, together with all accrued and unpaid interest is payable in full.

11. BOARD DESIGNATED NET ASSETS

Operating reserve - \$25 million

The Food Bank maintains a reserve to cover expected and unexpected expense needs or revenue shortfalls related to its annual operations.

Climate, facilities, and capacity reserve - \$15 million

The Food Bank maintains a reserve to cover needs arising from climate change (e.g., energy efficiency and/or mitigation), significant building repairs and equipment replacement, and future increased capacity or expansion. This reserve also will provide a bridge loan for the Food Bank's current expansion project, which will be paid back by capital campaign pledge collections.

Emergency response and recovery reserve - \$20 million

The Food Bank maintains a reserve to cover unexpected expense needs or revenue shortfall due to emergency response and recovery efforts associated with natural, technological, man-made, and/or economic emergencies.

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12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Purpose restrictions		
Site development	\$ 24,332,796	\$ 16,875,702
Special projects	48,750	598,750
College pantries in San Francisco	-	121,910
Healthy children pantries	<u>-</u>	<u>44,334</u>
	24,381,546	17,640,696
Time restrictions		
General support for future periods	<u>25,000</u>	<u>200,000</u>
	<u>\$ 24,406,546</u>	<u>\$ 17,840,696</u>

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12. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restrictions during the year were as follows:

	2021	2020
Purpose restrictions		
Marin County services	\$ 773,830	\$ 968,296
Special projects	550,000	554,777
San Francisco County services	220,591	236,267
Site development	214,968	3,142,856
Fresh, nutritious food fund	166,307	418,042
College pantries in San Francisco	121,910	196,463
Healthy children pantries	111,565	112,445
Pantry programs	50,000	100,000
Capital specific restricted	24,000	-
Senior brown bag program	23,410	34,171
Home delivered groceries for seniors program	22,000	16,100
Pop-up pantry	20,500	-
Healthy children pantries in San Francisco	5,000	-
Pantry program in Marin	2,000	-
Trucking capacity	1,350	427,099
Advocacy and education program	23	10
Disaster relief	-	393,293
Food stamps outreach program	-	196,280
Protein purchases	-	71,305
Capital grants for Marin County	-	28,000
Holiday food program	-	20,000
Morning snack program	-	15,000
	2,307,454	6,930,404
Time restricted	175,000	287,202
	\$ 2,482,454	\$ 7,217,606

13. CONDITIONAL GOVERNMENT GRANT

A conditional government grant is recognized when the Food Bank meets the terms of the conditions in the grant agreement.

The conditional government grant is detailed as follows:

Incurring qualifying costs for the Paycheck Protection Program conditional government grant	<u><u>\$ 2,268,962</u></u>
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14. SHARED MAINTENANCE FEES

The Food Bank receives fees from participating agencies to assist in the costs of distributing food. These shared maintenance fees are based upon predetermined rates from \$0 to \$0.18 per pound or an average of \$0.003 per pound for the year ended June 30, 2021 and \$0.004 per pound for year ended June 30, 2020. Total shared maintenance fees during the years ended June 30, 2021 and 2020, totaled \$199,631 and \$208,904, respectively.

15. CONTRIBUTIONS IN-KIND

The estimated fair value of donated food, equipment, rent, expert services, and supplies received are recorded as contributions. During the years ended June 30, 2021 and 2020, the following in-kind contributions were received by the Food Bank:

Contributions in-kind are as follows:

	2021	2020
Government support - in-kind food		
Food - government	<u>\$ 55,962,725</u>	<u>\$ 32,770,975</u>
Contributions in-kind - non-government		
Food - non-government	63,662,610	53,022,316
Outside services	1,178,482	1,397,627
Donated rent	603,961	169,408
Miscellaneous	441,038	-
Equipment	<u>180,301</u>	<u>43,680</u>
	<u>66,066,392</u>	<u>54,633,031</u>
Special events supplies	<u>-</u>	<u>26,288</u>
Total contributions in-kind - non-government	<u>66,066,392</u>	<u>54,659,319</u>
Total contributions in-kind	<u><u>\$ 122,029,117</u></u>	<u><u>\$ 87,430,294</u></u>

The Food Bank also receives donated services that do not require specific expertise but which are nonetheless central to the Food Bank's operations. The Food Bank relies on volunteers from the community to sort, glean, and repack donated food. The estimated value of these services for the years ended June 30, 2021 and 2020, which were based on the estimated dollar value of volunteer time calculated using the San Francisco Minimum Compensation Ordinance (MCO) rate of \$16.78 and \$16.50 per hour, respectively, and Marin County's Living Wage Ordinance rate of \$15.32 and \$15.03 per hour for the years ended June 30, 2021 and 2020, respectively, amounted to \$2,832,252 and \$2,060,213, respectively. In accordance with accounting principles generally accepted in the United States of America, the value of these services is not reflected in the consolidated financial statements.

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16. RETIREMENT PLAN

The Food Bank provides retirement benefits to its employees through an annuity thrift plan. The Food Bank contributes 3% of salary to the plan for all eligible employees and matches up to an additional 3% for employees who make contributions. Employees are eligible to begin making contributions immediately upon hire regardless of age. Employees are eligible for the employer matching contributions after one year of service. Employer contributions to the plan for the years ended June 30, 2021 and 2020 totaled \$663,590 and \$542,256, respectively.

17. CONFLICT OF INTEREST

Included among the Food Bank's Board of Directors and Officers are volunteers from the community who provide valuable assistance to the Food Bank in the development of policies and programs and in the evaluation of business transactions. The Food Bank has adopted a conflict of interest policy whereby board members are disqualified from participation in the final decisions regarding any action affecting their related company or organization.

18. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Food Bank rents storage facilities under operating leases, which expire at various dates, ending October 31, 2029.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2022	\$ 839,041
2023	263,582
2024	214,000
2025	220,416
2026	227,032
Thereafter	<u>806,284</u>
	<u><u>\$ 2,570,355</u></u>

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18. COMMITMENTS AND CONTINGENCIES (continued)

Grants and contracts

Grants and contracts awarded to San Francisco Food Bank are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, the Food Bank could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

Legal proceedings

The Food Bank is engaged in certain legal and administrative proceedings in the normal course of its operations. While it is not possible to determine the ultimate outcome of these matters at this time, management believes that any liabilities from such proceedings, or claims that are pending or known to be threatened, will not have a material adverse effect on the Food Bank's financial condition, results of activities, or cash flows.

COVID-19 impact

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 COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders.

The Food Bank is an essential service provider, and its services have continued throughout the COVID-19 pandemic without any material interruption (see Notes 1, 2 and 3). As the situation continues to evolve, the Food Bank is closely monitoring the impact of the pandemic on all aspects of its business including how it impacts its participants, suppliers, vendors and employees as well as its ability to continue providing services. The Food Bank believes the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors that are uncertain and unpredictable.

19. LIQUIDITY

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

As part of this policy, the Food Bank holds a balance of cash, receivables, and securities equal to approximately three months of operating expenses that can be readily liquidated to pay for operating needs. Long-term investments consist of a Board designated facilities reserve.

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19. LIQUIDITY (continued)

The Food Bank expects that accounts receivable from program service fee revenue will be collected and available within 90 days of the fiscal year end.

Short-term contributions receivable consists of grants and pledges receivable expected to be received within one year from June 30, 2021. Unrestricted short-term grants and pledges receivable will be available to support general operations of the Food Bank.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2021 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 69,696,478
Investments	11,559,100
Accounts receivable from affiliated agencies	9,990
Government grants receivable	2,853,680
Pledges receivable	<u>6,676,297</u>
	<u>90,795,545</u>
Less: amounts unavailable for general expenditures within one year	
Long-term investments	(7,000,000)
Net assets with purpose restrictions	<u>(24,381,546)</u>
	<u>(31,381,546)</u>
	<u>\$ 59,413,999</u>