

San Francisco Food Bank
dba San Francisco-Marin Food Bank

Consolidated Financial Statements

June 30, 2022
(With Comparative Totals for 2021)



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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

Opinion

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, 2022, 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.

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, 2022, 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.

Basis of Opinion

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

Report on Summarized Comparative Information

We have previously audited San Francisco Food Bank dba San Francisco-Marín Food Bank's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management 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, and for 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.



An independent firm
associated with Moore
Global Network Limited

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Francisco Food Bank's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 San Francisco Food Bank'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Francisco Food Bank'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.



Armanino^{LLP}
San Jose, California

December 7, 2022

San Francisco Food Bank
 dba San Francisco-Marín Food Bank
 Consolidated Statement of Financial Position
 June 30, 2022
 (With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 52,513,406	\$ 69,696,478
Investments in marketable securities	12,157,591	4,559,100
Accounts receivable from affiliated agencies	19,515	9,990
Government grants receivable	1,806,071	2,853,680
Pledges receivable, current portion	2,191,116	1,722,400
Inventory	3,342,809	8,358,471
Prepaid expenses and other assets	838,681	449,314
Total current assets	72,869,189	87,649,433
Noncurrent assets		
Property and equipment, net	45,207,547	24,787,555
Board designated investments in marketable securities	7,509,491	7,000,000
Pledges receivable, net of current portion	2,532,500	4,953,897
Total noncurrent assets	55,249,538	36,741,452
Total assets	\$ 128,118,727	\$ 124,390,885
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 3,460,400	\$ 3,205,170
Accrued expenses	3,348,031	1,736,067
Refundable advance - Paycheck Protection Program	-	2,268,962
Deferred revenue	167,427	37,500
Total current liabilities	6,975,858	7,247,699
Note payable	5,717,178	5,717,178
Total liabilities	12,693,036	12,964,877
Net assets		
Without donor restrictions		
Undesignated	7,050,636	6,330,558
Inventory	3,342,809	8,358,471
Property and equipment	13,953,009	12,330,433
Board designated - operating reserve	25,000,000	25,000,000
Board designated - emergency response and recovery reserve	20,000,000	20,000,000
Board designated - climate, facilities, and capacity reserve	15,000,000	15,000,000
Total without donor restrictions	84,346,454	87,019,462
With donor restrictions	31,079,237	24,406,546
Total net assets	115,425,691	111,426,008
Total liabilities and net assets	\$ 128,118,727	\$ 124,390,885

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, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support and revenue				
Contributions in-kind	\$ 79,010,297	\$ -	\$ 79,010,297	\$ 66,066,392
Contributions	36,202,763	8,920,406	45,123,169	58,626,081
Governmental support - cash	19,088,624	-	19,088,624	19,580,840
Governmental support - in-kind food	15,613,170	-	15,613,170	55,962,725
Other income, net	205,543	-	205,543	109,160
Shared maintenance fees	179,973	-	179,973	199,631
Investment income (loss), net	(2,277,028)	-	(2,277,028)	998,923
Net assets released from restrictions	2,247,715	(2,247,715)	-	-
Total support and revenue	<u>150,271,057</u>	<u>6,672,691</u>	<u>156,943,748</u>	<u>201,543,752</u>
Functional expenses				
Program services				
Healthy children pantries	5,445,267	-	5,445,267	6,145,835
Senior pantries and home-delivered groceries	34,129,286	-	34,129,286	18,511,287
Neighborhood pantries	86,974,781	-	86,974,781	112,679,839
Supplemental food program for seniors	6,852,348	-	6,852,348	6,720,935
Agency distribution	7,459,711	-	7,459,711	9,404,727
Advocacy and education	2,395,371	-	2,395,371	2,132,119
Total program services	<u>143,256,764</u>	<u>-</u>	<u>143,256,764</u>	<u>155,594,742</u>
Support services				
Management and general	3,664,427	-	3,664,427	2,898,561
Fundraising	6,022,874	-	6,022,874	5,668,780
Total support services	<u>9,687,301</u>	<u>-</u>	<u>9,687,301</u>	<u>8,567,341</u>
Total functional expenses	<u>152,944,065</u>	<u>-</u>	<u>152,944,065</u>	<u>164,162,083</u>
Change in net assets (see Note 3)	(2,673,008)	6,672,691	3,999,683	37,381,669
Net assets, beginning of year	<u>87,019,462</u>	<u>24,406,546</u>	<u>111,426,008</u>	<u>74,044,339</u>
Net assets, end of year	<u>\$ 84,346,454</u>	<u>\$ 31,079,237</u>	<u>\$115,425,691</u>	<u>\$111,426,008</u>

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

San Francisco Food Bank
dba San Francisco-Marin Food Bank
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Program Services						Support Services				2022 Total	2021 Total
	Healthy Children Pantries	Senior Pantries and Home- Delivered Groceries	Neighborhood Pantries	Supplemental Food Program For Seniors	Agency Distribution	Advocacy and Education	Total Program Services	Management and General	Fundraising	Total Support Services		
Donated food distributed	\$ 3,746,655	\$ 22,718,348	\$ 58,187,832	\$ 5,413,950	\$ 5,897,679	\$ -	\$ 95,964,464	\$ -	\$ -	\$ -	\$ 95,964,464	\$117,516,676
Salaries	294,725	3,371,182	8,513,288	764,250	514,513	1,143,402	14,601,360	2,351,502	3,224,256	5,575,758	20,177,118	19,234,457
Food procurement	1,064,117	4,085,030	11,319,415	1,448	556,459	-	17,026,469	-	-	-	17,026,469	9,607,810
Employee benefits	55,764	512,904	1,371,123	145,827	97,621	217,153	2,400,392	349,946	548,669	898,615	3,299,007	2,685,737
Outside services	21,614	514,851	548,723	58,745	37,703	141,092	1,322,728	421,685	895,308	1,316,993	2,639,721	3,039,726
Donated services and supplies	5,255	749,869	1,455,620	13,737	9,199	20,444	2,254,124	32,979	51,696	84,675	2,338,799	1,250,258
Freight and storage	88,310	545,160	1,359,874	1,467	85,598	-	2,080,409	-	-	-	2,080,409	1,950,853
Occupancy	35,248	354,577	960,191	95,722	62,181	134,428	1,642,347	111,558	248,597	360,155	2,002,502	1,443,094
Payroll taxes	22,015	202,155	540,491	57,560	38,526	85,663	946,410	138,188	216,637	354,825	1,301,235	1,321,632
Depreciation and amortization	20,432	185,501	503,810	52,307	35,607	79,861	877,518	127,454	199,800	327,254	1,204,772	1,103,412
Vehicle expenses	31,249	208,563	568,367	38,170	38,409	2,570	887,328	3,957	5,556	9,513	896,841	806,115
Warehouse supplies	7,750	244,794	501,839	109,319	9,586	-	873,288	-	-	-	873,288	714,700
Utilities	14,016	114,675	315,639	23,102	21,981	42,659	532,072	38,753	71,385	110,138	642,210	566,015
Public affairs	1,280	11,756	31,431	3,347	2,240	478,222	528,276	8,036	12,597	20,633	548,909	429,230
Marketing and events	2,642	21,074	56,178	4,301	4,127	6,447	94,769	10,339	442,198	452,537	547,306	509,533
Miscellaneous	10,769	93,919	236,047	30,406	14,870	12,009	398,020	24,106	28,017	52,123	450,143	400,378
Equipment expenses	8,799	81,154	205,475	13,486	11,973	8,973	329,860	14,390	22,557	36,947	366,807	485,860
Insurance	8,275	58,293	154,449	14,743	11,603	7,852	255,215	10,012	19,575	29,587	284,802	202,728
Interest	1,065	10,825	28,951	3,780	1,958	3,833	50,412	4,563	9,521	14,084	64,496	114,165
Office/computer supplies	909	11,756	29,936	2,376	1,558	3,603	50,138	5,550	8,716	14,266	64,404	76,141
Donated rent	2,612	15,708	41,391	-	3,277	-	62,988	-	-	-	62,988	603,961
Conferences and training	986	9,256	23,924	2,370	1,687	4,070	42,293	6,505	9,586	16,091	58,384	29,393
Printed materials and postage	724	7,401	19,374	1,789	1,258	2,872	33,418	4,553	7,652	12,205	45,623	62,650
Volunteer services	56	535	1,413	146	98	218	2,466	351	551	902	3,368	7,559
	<u>\$ 5,445,267</u>	<u>\$ 34,129,286</u>	<u>\$ 86,974,781</u>	<u>\$ 6,852,348</u>	<u>\$ 7,459,711</u>	<u>\$ 2,395,371</u>	<u>\$143,256,764</u>	<u>\$ 3,664,427</u>	<u>\$ 6,022,874</u>	<u>\$ 9,687,301</u>	<u>\$152,944,065</u>	<u>\$164,162,083</u>
Percentage of total	<u>3.6 %</u>	<u>22.3 %</u>	<u>56.9 %</u>	<u>4.5 %</u>	<u>4.9 %</u>	<u>1.6 %</u>	<u>93.8 %</u>	<u>2.4 %</u>	<u>3.8 %</u>	<u>6.2 %</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, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 3,999,683	\$ 37,381,669
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,204,772	1,103,412
In-kind contributions of food	(91,567,102)	(119,625,335)
Distribution of food received in-kind	95,964,464	117,516,676
Contributions received for capital campaign	(6,891,631)	(10,102,587)
Net realized and unrealized (gains) losses on investments	3,008,739	(814,025)
Forgiveness of Payment Protection Program loan	(2,268,962)	-
Changes in operating assets and liabilities		
Accounts receivable from affiliated agencies	(9,525)	(8,265)
Government grants receivable	1,047,609	(218,341)
Pledges receivable	1,952,681	3,418,670
Inventory	618,300	(384,885)
Prepaid expenses and other assets	(389,367)	(142,208)
Accounts payable	255,230	975,862
Accrued expenses	1,611,964	194,220
Deferred revenue	129,927	37,500
Net cash provided by operating activities	8,666,782	29,332,363
Cash flows from investing activities		
Purchase of property and equipment	(21,624,764)	(5,055,990)
Purchase of investments	(15,270,644)	(7,106,547)
Proceeds from sale of investments	4,153,923	3,290,970
Net cash used in investing activities	(32,741,485)	(8,871,567)
Cash flows from financing activities		
Contributions received for capital campaign	6,891,631	10,102,587
Net cash provided by financing activities	6,891,631	10,102,587
Net increase (decrease) in cash and cash equivalents	(17,183,072)	30,563,383
Cash and cash equivalents, beginning of year	69,696,478	39,133,095
Cash and cash equivalents, end of year	\$ 52,513,406	\$ 69,696,478

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 64,496	\$ 114,165
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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, 2022
(With Comparative Totals for 2021)

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 almost any other food bank in the country according to Feeding America's annual Meals Distributed as percentage of Meal Gap in Service Area report.

Dramatic increase in need continues. Last year, the Food Bank distributed more than 67 million pounds of food, over 1/3 more than it did before the pandemic. The Food Bank recovers fresh produce and pantry staples from farmers and manufacturers who produce more food than they can sell; more than 60% of food distributed is fresh fruits and vegetables. The Food Bank served 53,000 families each week and delivered weekly groceries to more than 13,000 seniors and other participants with low-mobility last year. Close to 75% of its food went out through its pantry network.

At the onset of the pandemic in March 2020, the Food Bank saw a dramatic increase in requests for food assistance that have continued to this day. The vast majority of "pop-up" pantries that opened in the initial months of the pandemic remain open. These 24 pop-up pantries each serve 5-10x the number of households of the average pre-pandemic pantry. The Food Bank also continues providing home-delivered groceries at near peak-pandemic numbers to try to serve all its participants who had previously been able to attend pantries in person. Even as the severity of the pandemic seems to be waning, the increased need for food assistance likely will last for several more years.

Community support in response to the increase in need. Volunteers are essential to the Food Bank model. More than 56,000 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 over 50% of food distributed during the fiscal year.

The Food Bank also engaged over 32,000 financial donors in FY21-22 who contributed over \$36 million to fuel operations. In addition to this, the Food Bank obtained cash support equal to 11% of total support and revenue from the following government agencies:

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

The 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.

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dba San Francisco-Marin Food Bank
Notes to Consolidated Financial Statements
June 30, 2022
(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS (continued)

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.

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.

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 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.

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. While it remains steadfast in its commitment to serving an increasing number of individuals and families in need, the Food Bank is not immune to rising food and fuel costs due to inflation and faces a drastic reduction in revenue support. For example:

- In the current fiscal year, government contract support is projected at 62% of the funding level provided in each of the previous two years of the pandemic.
- The average price per pound of all purchased food has gone up nearly 44%.
- Fuel costs are up 24%, in addition to shipping and transportation delays.
- The Food Bank projects spending nearly \$18.4 million on food in FY22-23 - the most in the Food Bank's history.

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Notes to Consolidated Financial Statements
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(With Comparative Totals for 2021)

1. NATURE OF OPERATIONS (continued)

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

As the largest nonprofit food provider in San Francisco and Marin, the Food Bank is an essential food safety net. It remains a lifeline for families struggling to keep up with inflation, the exorbitantly high costs of living in the San Francisco Bay area and continued economic fallout from the pandemic. To meet the sustained need from the community, the Food Bank is prioritizing and investing in a continued commitment to food quality, advocacy and partnerships, and bolstering operational infrastructure (including pay equity). For FY22-23, the Food Bank's board has approved an operating budget with a projected \$8.1 million deficit.

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. Additionally, the Home-Delivered Groceries Program (HDG) continues to provide weekly groceries to many of its senior participants who can no longer access their regular pantries. The HDG program expanded to include others who may have difficulty accessing a pantry, such as families with pregnant individuals, very young children, or children with disabilities.

Ongoing Pantry Programs

The Food Bank has a variety of ongoing food 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:

- *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. Limited Food Bank capacity and resources due to continuation of pandemic-initiated programming prevented the Food Bank from supporting most of these pantries through June 2022.
- *Senior Pantries and Home-Delivered Groceries* - these programs enable 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.

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Notes to Consolidated Financial Statements
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(With Comparative Totals for 2021)

2. PROGRAM SERVICES (continued)

Ongoing Pantry Programs (continued)

- *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 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 on campus. In 2018, it expanded to UCSF, City College of San Francisco, and Dominican College (Marin). By providing weekly on-campus access, eligible students can pick-up free, fresh produce and other groceries and return to the hard work of pursuing their education. Reduced on-campus activity and limited Food Bank capacity and resources due to pandemic-initiated programming prevented the Food Bank from supporting some of these pantries through June 2022.

Supplemental Food Program for Seniors

This program provides a monthly box of nutritious USDA food to more than 9,400 low-income senior citizens.

Agency Distribution Shopping Program

More than 175 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 include 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. The Food Bank's advocacy efforts, in collaboration with coalition partners, have resulted in reducing food insecurity. Examples from then past year include:

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(With Comparative Totals for 2021)

2. PROGRAM SERVICES (continued)

- Immigrant Food Access/Food4All: As part of the Food4All Coalition, the Food Bank helped secure the expansion of the California Food Assistance Program to people age 55+ regardless of immigration status.
- Supplemental Security Insurance (SSI): The Food Bank helped ensure that older adults and people with disabilities will see an increase in their SSI benefits in 2023.
- Food Bank Funding: The Food Bank supported an increase in state funding (\$120 million) for CalFood Program, allowing food banks statewide to purchase more food from California growers.

The Food Bank's advocacy and 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. The Food Bank continues to work alongside trusted community partners to address both the consequences and causes of hunger in different communities through policy change, advocacy, and amplifying leadership within those communities.

3. CHANGE IN NET ASSETS

Year ended June 30, 2022

The positive change in net assets for the year ended June 30, 2022 is largely due to the Food Bank's ongoing capital campaign. These funds are being used to expand the Food Bank's San Francisco facility to better meet current and future need.

Year ended June 30, 2021

The positive change in net assets for the year ended June 30, 2021 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 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.

San Francisco Food Bank
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Notes to Consolidated Financial Statements
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(With Comparative Totals for 2021)

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 September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including fixed assets, supplies, services, and other items. The update includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Food Bank adopted ASU 2020-07 with a date of the initial application of July 1, 2021, using the full retrospective method.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of accounting principle (continued)

The adoption of ASU 2020-07 did not have a significant impact on the Food Bank's financial position, result of operations, or cash flows. The Food Bank has updated disclosures as necessary.

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, 2021, 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, 2022 and 2021 the allowance for doubtful accounts was \$25,000 and \$25,000.

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 \$1.92 and \$1.79 per pound for the years ended June 30, 2022 and 2021, respectively. Donated government food was valued at \$1.53 and \$1.70 per pound for the years ended June 30, 2022 and 2021, 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 \$7,509,491 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, 2022 and 2021 was \$742,270 and \$735,978, 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 \$1.92 and \$1.79 per pound for the years ended June 30, 2022 and 2021, respectively. Donated government food was valued at \$1.53 and \$1.70 per pound for the years ended June 30, 2022 and 2021, 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 14.

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, 2022 and 2021, the Food Bank incurred costs of \$1,226,113 and \$1,006,500, respectively, for informational materials and activities that include fundraising appeals. Of these costs, \$1,057,935 and \$966,846, respectively was allocated to fundraising expense, \$168,178 and \$39,654, 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, 2021, 2020, and 2019 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, 2021, 2020, 2019, and 2018 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, 2022 and 2021 totaled \$157,290 and \$188,869, respectively.

Subsequent events

The Food Bank has evaluated subsequent events through December 7, 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:

	2022	2021
Amount due in less than one year	\$ 2,191,116	\$ 1,722,400
Amounts due in one to five years	2,532,500	4,953,897
	\$ 4,723,616	\$ 6,676,297

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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 \$1.92 and \$1.79 per pound for the years ended June 30, 2022 and 2021, respectively. Donated government food was valued at \$1.53 and \$1.70 per pound for the years ended June 30, 2022 and 2021, respectively. This valuation is based on a cost study conducted for Feeding America.

Inventory consisted of the following:

	2022	2021
USDA food commodities	\$ 1,963,408	\$ 6,066,652
Donated non-government food	807,010	1,101,128
Purchased food	572,391	1,190,691
	\$ 3,342,809	\$ 8,358,471

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2022	2021
Construction in progress	\$ 25,537,360	\$ 6,739,944
Building	11,736,061	11,736,061
Land	5,698,080	5,459,568
Vehicles	4,755,280	3,611,371
Building improvements	3,720,828	3,568,704
Warehouse equipment	1,963,833	1,321,253
Office furniture equipment	1,684,951	1,320,363
Other depreciable property	484,753	34,749
Leasehold improvements	-	253,986
	55,581,146	34,045,999
Accumulated depreciation and amortization	(10,373,599)	(9,258,444)
	\$ 45,207,547	\$ 24,787,555

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 totaled \$1,204,772 and \$1,103,412, 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Bond fund	\$ 12,157,591	\$ -	\$ -	\$ 12,157,591
Equity fund	<u>7,509,491</u>	<u>-</u>	<u>-</u>	<u>7,509,491</u>
	<u>\$ 19,667,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,667,082</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, 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>

Net investment income (loss) for the year consisted of the following:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gains (losses)	\$ (3,008,739)	\$ 814,025
Interest and dividend income	<u>731,711</u>	<u>184,898</u>
	<u>\$ (2,277,028)</u>	<u>\$ 998,923</u>

Details of the investments in marketable securities are as follows as of June 30, 2022:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Unrealized Depreciation</u>
Bond fund	\$ 12,157,591	\$ 13,449,062	\$ (1,291,471)
Equity fund	<u>7,509,491</u>	<u>8,205,976</u>	<u>(696,485)</u>
	<u>\$ 19,667,082</u>	<u>\$ 21,655,038</u>	<u>\$ (1,987,956)</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, 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>

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 was two years and the annual interest rate was 1%. Payments of principal and interest were deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients could apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness was 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.

In March 2022, the Food Bank received notice from the SBA that the PPP loan was fully forgiven. Accordingly, the Food Bank recorded \$2,268,962 as governmental cash support in the accompanying consolidated statement of activities.

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.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Purpose restrictions		
Site development	\$ 30,784,237	\$ 24,332,796
Special projects	-	48,750
	<u>30,784,237</u>	<u>24,381,546</u>
Time restrictions		
General support for future periods	<u>295,000</u>	<u>25,000</u>
	<u>\$ 31,079,237</u>	<u>\$ 24,406,546</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:

	2022	2021
Purpose restrictions		
Fresh, nutritious food fund	\$ 645,368	\$ 166,307
Marin County services	450,488	773,830
Site development	440,192	214,968
Food stamps outreach program	190,000	-
Capital grants for Marin County	55,000	-
Special projects	48,750	550,000
Capital specific restricted	48,600	24,000
Healthy children pantries	47,753	111,565
San Francisco County services	39,310	220,591
Home delivered groceries for seniors program	37,000	22,000
Senior brown bag program	14,986	23,410
College Pantry	5,000	-
Pantry program in Marin	155	2,000
Advocacy and education program	113	23
College pantries in San Francisco	-	121,910
Pantry programs	-	50,000
Pop-up pantry	-	20,500
Healthy children pantries in San Francisco	-	5,000
Trucking capacity	-	1,350
	2,022,715	2,307,454
Time restricted	225,000	175,000
	\$ 2,247,715	\$ 2,482,454

13. 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, 2022 and \$0.003 per pound for year ended June 30, 2021. Total shared maintenance fees during the years ended June 30, 2022 and 2021, totaled \$179,973 and \$199,631, respectively.

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14. CONTRIBUTIONS IN-KIND

The estimated fair value of donated food, equipment, rent, expert services, and supplies received are recorded as contributions. Donated services and rent recognized are valued at the estimated fair value of current rates for similar professional services and rent of similarly sized and located properties. Donated equipment and supplies are valued based on estimates of wholesale values that would be paid for purchasing similar products. All donated services and goods are utilized by the Food Bank for program services, management and general and fundraising purposes.

Contributions in-kind for the year ended June 30, 2022 are as follows:

	2022	2021
Government support - in-kind food		
Food - government	\$ 15,613,170	\$ 55,962,725
Contributions in-kind - non-government		
Food - non-government	75,953,932	63,662,610
Outside services	2,387,069	1,178,482
Equipment	484,753	180,301
Miscellaneous	121,555	441,038
Donated rent	<u>62,988</u>	<u>603,961</u>
	<u>79,010,297</u>	<u>66,066,392</u>
 Total contributions in-kind	 <u>\$ 94,623,467</u>	 <u>\$ 122,029,117</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, 2022 and 2021, which were based on the estimated dollar value of volunteer time calculated using the San Francisco Minimum Compensation Ordinance (MCO) rate of \$17.34 and \$16.78 per hour, respectively, and Marin County's Living Wage Ordinance rate of \$15.70 and \$15.32 per hour for the years ended June 30, 2022 and 2021, respectively, amounted to \$2,395,096 and \$2,832,252, 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.

15. 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, 2022 and 2021 totaled \$753,672 and \$663,590, respectively.

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16. 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.

17. 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>	
2023	\$ 622,105
2024	271,476
2025	220,416
2026	227,032
2027	233,844
Thereafter	<u>572,440</u>
	<u><u>\$ 2,147,313</u></u>

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.

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17. COMMITMENTS AND CONTINGENCIES (continued)

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.

18. 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 that can be readily liquidated to pay for operating needs. Long-term investments consist of funds invested in equity instruments.

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, 2022. Unrestricted short-term grants and pledges receivable will be available to support general operations of the Food Bank.

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18. LIQUIDITY (continued)

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2022 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 52,513,406
Investments	19,667,082
Accounts receivable from affiliated agencies	19,515
Government grants receivable	1,806,071
Pledges receivable	<u>4,723,616</u>
	<u>78,729,690</u>
Less: amounts unavailable for general expenditures within one year	
Long-term investments	(7,509,491)
Net assets with purpose restrictions	<u>(30,784,237)</u>
	<u>(38,293,728)</u>
	<u>\$ 40,435,962</u>