

**FOOD BANK FOR MONTEREY COUNTY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
JUNE 30, 2021

AND INDEPENDENT AUDITORS' REPORT

## FOOD BANK FOR MONTEREY COUNTY

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## HAYASHI | WAYLAND

### INDEPENDENT AUDITORS' REPORT

**To the Board of Directors  
Food Bank for Monterey County  
Salinas, California**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of ***Food Bank for Monterey County*** (a California nonprofit corporation) which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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



## Opinion

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

## Other Matters

### ***Report on Summarized Comparative Information***

We have previously audited **Food Bank for Monterey County's** financial statements and we, expressed an unmodified opinion on those financial statements in our report dated November 9, 2020. 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 financial statements from which it has been derived.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Support, Revenue and Expenses by Function and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021 on our consideration of **Food Bank for Monterey County's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an internal part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Hayashi Wayland, LLP*

December 15, 2021  
Salinas, California



**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2020)**

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,270,896	\$ 6,929,302
Investments	229,828	124,953
Agency receivables	385,362	461,249
Grant and contract receivables	46,029	56,250
Inventory	2,532,476	1,989,686
Prepaid expenses	1,144,106	66,947
Total current assets	<u>17,608,697</u>	<u>9,628,387</u>
PLEDGE RECEIVABLE	–	236,496
PROPERTY AND EQUIPMENT– NET	12,043,229	11,906,182
CASH RESTRICTED TO SERVICE DEBT	<u>307,000</u>	<u>307,000</u>
TOTAL ASSETS	<u>\$ 29,958,926</u>	<u>\$ 22,078,065</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 22,455	\$ 108,874
Accrued vacation	112,990	105,559
Refundable advance	–	377,640
Current portion of loan payable	<u>168,762</u>	<u>160,843</u>
Total current liabilities	<u>304,207</u>	<u>752,916</u>
LONG-TERM LIABILITIES –		
Loan payable	<u>6,952,641</u>	<u>7,126,442</u>
Total liabilities	<u>7,256,848</u>	<u>7,879,358</u>
NET ASSETS:		
Without donor restrictions:		
Undesignated	14,965,879	7,081,611
Held in property and equipment – net of related debt	4,921,826	4,618,897
Held in inventory	<u>2,532,476</u>	<u>1,889,289</u>
Total without donor restrictions	22,420,181	13,589,797
With donor restrictions	<u>281,897</u>	<u>608,910</u>
Total net assets	<u>22,702,078</u>	<u>14,198,707</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,958,926</u>	<u>\$ 22,078,065</u>

See Notes to Financial Statements.

**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>SUPPORT AND REVENUE:</b>				
General support and fees:				
Food donations	\$ 9,027,049	\$ —	\$ 9,027,049	\$ 13,278,237
Product fees	125,985	—	125,985	308,895
Cash contributions	7,293,359	—	7,293,359	4,899,643
In-kind contributions	143,350	—	143,350	1,500
Donated assets	193,757	—	193,757	11,712
Grants	2,580,445	75,000	2,655,445	2,276,430
Government contracts	33,720,370	—	33,720,370	4,704,372
Bequests	6,532	—	6,532	66,772
Bingo income	308,319	—	308,319	326,621
Investment return/(loss)	58,337	—	58,337	(14,815)
Miscellaneous income	—	—	—	762
Gain (loss) on sale of assets	—	—	—	(9,014)
Net assets released from restrictions	<u>402,013</u>	<u>(402,013)</u>	<u>—</u>	<u>—</u>
<b>Total support and revenue</b>	<u>53,859,516</u>	<u>(327,013)</u>	<u>53,532,503</u>	<u>25,851,115</u>
<b>EXPENSES:</b>				
Program services:				
Direct Distributions	7,758,081	—	7,758,081	10,446,914
Emergency Food Assistance Program (EFAP)	35,035,415	—	35,035,415	6,927,531
Education and Advocacy	18,533	—	18,533	16,241
Produce Market	1,275,754	—	1,275,754	2,013,438
Support services:				
Administration	803,408	—	803,408	709,384
Fundraising	<u>137,941</u>	<u>—</u>	<u>137,941</u>	<u>111,524</u>
<b>Total expenses</b>	<u>45,029,132</u>	<u>—</u>	<u>45,029,132</u>	<u>20,225,032</u>
<b>Increase (decrease) in net assets</b>	<u>8,830,384</u>	<u>(327,013)</u>	<u>8,503,371</u>	<u>5,626,083</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>13,589,797</u>	<u>608,910</u>	<u>14,198,707</u>	<u>8,572,624</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 22,420,181</u>	<u>\$ 281,897</u>	<u>\$ 22,702,078</u>	<u>\$ 14,198,707</u>

See Notes to Financial Statements.



**FOOD BANK FOR MONTEREY COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(WITH SUMMARIZED TOTALS FOR JUNE 30, 2020)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received as revenue and support	\$ 44,054,974	\$ 12,875,921
Cash paid to suppliers and employees	(36,674,429)	(6,837,551)
Interest and dividends received	6,877	4,615
Interest paid	<u>(342,524)</u>	<u>(373,428)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>7,044,898</u>	<u>5,669,557</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(53,415)	—
Purchases of property and equipment	<u>(484,007)</u>	<u>(724,765)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(537,422)</u>	<u>(724,765)</u>
<b>CASH FLOWS FROM FINANCING:</b>		
Proceeds from loan	—	377,640
Payments on loan	<u>(165,882)</u>	<u>(152,756)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(165,882)</u>	<u>224,884</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,341,594	5,169,676
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>7,236,302</u>	<u>2,066,626</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 13,577,896</u>	<u>\$ 7,236,302</u>
 Cash and cash equivalents	 13,270,896	 6,929,302
Cash restricted to service debt	<u>307,000</u>	<u>307,000</u>
<b>Total cash and cash equivalents</b>	<u>\$ 13,577,896</u>	<u>\$ 7,236,302</u>

See Notes to Financial Statements.



**FOOD BANK FOR MONTEREY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1.      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations** – The Food Bank for Monterey County (Food Bank) is a California nonprofit corporation established in 1992 to distribute food to alleviate hunger, provide emergency food services during a natural disaster, and conduct educational awareness programs relating to hunger issues in Monterey County. The Food Bank administers the following programs:

*Direct Distributions:* This is a network of approximately 64 Monterey County non-profit agencies that rely on the Food Bank as their primary food resource to provide food assistance that serve the elderly, chronically ill, homeless unemployed and working poor.

*Emergency Food Assistance Program (EFAP):* This program distributes United States Department of Agriculture food commodities to more than 30 sites throughout Monterey County on a monthly basis.

*Education and Advocacy:* This program promotes the Food Bank’s mission in the community by educating people about the personal, political and social issues related to hunger.

*Produce Market:* This program operates like a Farmers’ market. Food distributed consists of fresh locally grown produce and other produce from all over the state. It is used to help with the growing health concerns among the population served, specifically diabetes and obesity.

**Basis of Accounting and Presentation** – The accompanying financial statements are presented using the accrual basis of accounting in accordance with generally accepted accounting principles. The net assets, revenues, gains and losses, and other support, expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Food Bank and changes therein are classified as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. This includes any amounts designated by the Board for certain purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Food Bank and/or the passage of time.

**Recognition of Donor Restrictions** – Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “net assets released from restrictions.”

**Unconditional Promises to Give** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are discounted at an appropriate discount commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue.

**Product 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 \$0.19 per pound or an average of \$0.005 per pound for the year ended June 30, 2021. Total shared maintenance fees during the year ended June 30, 2021 totaled \$125,985.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less.

**Investments** – Investments in marketable equity securities with readily determinable fair values are stated at fair value.

Net investment return/(loss) is reported in the statement of activities and consist of interest and dividend income, realized and unrealized capital gains and losses, less management fee expenses.

**Inventory** – Inventory and food distribution consists of three types – (1) Donated food valued using an average value derived from Feeding America; (2) Purchased food valued at cost; and (3) Emergency Food Assistance Program (EFAP) food valued according to the USDA’s determination of the commodities’ fair value.

**Receivables** – Receivables are stated at face value. Management periodically reviews the collectability of its receivables and establishes an allowance for doubtful accounts as necessary. For the year ended June 30, 2021 the allowance was zero.

**Prepaid Expenses** – Prepaid expense amounts represent advance payments for goods or services that will be expensed in the periods in which they benefit.

**Property and Equipment** – Property and equipment purchased or constructed is recorded at cost. Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions. The Food Bank capitalizes property with a value of \$1,000 and a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

**Accrued Vacation** – The Food Bank accrues a liability for vacation pay, which has been earned but not taken by employees as of year-end. This liability is shown as vacation liability.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Allocation of Expenses** – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salary and benefits are allocated based on time studies. These studies are conducted on an annual basis and are timed to coincide alternately with periods when seasonal programs are running and when only the base or standard programs are in operation. Occupancy costs, such as rent, fire and liability insurance, utilities and maintenance, are based on a combination of square feet of space occupied and percentage of food distribution. Vehicle costs are charged to programs based on the percentage of food transported or distributed to each program. Food costs, such as purchased product, freight, shared maintenance, and donated food, are allocated based on a prior year or 12-month period food distribution is received by program. Separate allocations are set up to be applied when seasonal programs are in operation and when they are not. Depreciation cost allocation uses the same factors as used for occupancy costs.

**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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes** – The Food Bank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and from California franchise tax under Section 23701(d) of the Revenue and Taxation Code. However, income from certain activities not directly related to the Food Bank's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Food Bank qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

**Fair Value Measurements** – The Food Bank applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets and liabilities. GAAP defines fair value 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. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs are quoted market prices for identical instruments in an active market that the entity has the ability to access and are the most observable.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Level 2 inputs include quoted market prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgment about the assumptions market participants would use in pricing the assets or liability.

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 commodities inventory are classified as level 2 assets. The Food Bank did not have any assets or liabilities classified as level 3.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2021:

<u>ASSETS</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stocks	\$ 229,828	\$ –	\$ 229,828
Donated food- Inventory	–	639,747	639,747
USDA commodities- Inventory	–	1,166,116	1,166,116
Total	<u>\$ 229,828</u>	<u>\$ 1,805,863</u>	<u>\$ 2,035,116</u>

**Revenue Recognition** – Contributions, which include unconditional promises to give, are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor.

The Food Bank receives a significant amount of governmental cash and in-kind food assistance. The governmental assistance is received through reimbursement-based local, state and federally funded programs. The revenue generated from these programs is recorded as a government support in the statement of activities. This governmental support meets the criteria to be classified as conditional contributions due the incurrence of qualifying expenses and a right of return or release. The Food Bank has elected to simultaneously release for these funds so they are recorded a government contracts without donor restrictions upon satisfaction of the barriers.

Other revenues, including bingo income, that have exchange components are recognized when earned.

Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Disaggregated revenues are shown on the Statement of Activities.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions in Kind** – Donated non-governmental products and EFAP food packages were valued at \$1.27 per pound for the year ended June 30, 2021. Donated government food was valued at the most recently published cost-per-pound price in the USDA donated food catalog, found in the FNS electronic USDA donated food ordering system. Donated equipment and other goods are recorded at their estimated fair value at the date of donation. 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, clean, and repack donated food. While the value of these services are not reflected in the financial statements, the estimated value is disclosed in Note 11.

**Reclassifications** – Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

**Summarized Totals for June 30, 2020** – The financial information from the prior year is presented for summarized purposes only and is not intended to be a complete financial statement presentation. Accordingly, such information should be read in conjunction with the audited financial statements as of and for the year ended June 30, 2020.

**Effects of New Accounting Pronouncements** – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, will replace almost all pre-existing revenue recognition guidance, including industry-specific guidance, in current U.S. generally accepted accounting principles (GAAP). Analysis of various provisions of this standard resulted in no significant changes in the way the Food Bank recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. This standard removes, modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for all entities for annual reporting periods beginning after December 15, 2019. The effect of adopting this Update resulted in the removal or modification of certain fair value measurement disclosures that were previously presented in the financial statements.

**Recent Accounting Pronouncements** – On February 25, 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Non-public entities are required to adopt the standard for reporting periods beginning after December 15, 2021. All entities may elect to early-adopt. The core principle of the new leases standard is that lessees should recognize assets and liabilities arising from all leases, except for leases with a lease term of 12 months or less. This will significantly gross-up many entities balance sheets. The Food Bank has no plan for early implementation of this Statement. At this time the Food Bank is not certain of the effect the adoption of ASU 2016-02 will have on the accompanying financial statements.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In September 2020, the FASB issues ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 was issued to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The amendments in this Update are effective for annual periods beginning after June 15, 2021 and early application is permitted. The Food Bank has no plan for early implementation of this Statement. At this time the Food Bank is not certain of the effect the adoption of ASU 2020-07 will have on the accompanying financial statements.

**Subsequent Events** – Subsequent events have been evaluated by management, through December 15, 2021, which is the date the financial statements were available to be issued.

**NOTE 2. CONCENTRATION OF CREDIT RISK**

The Food Bank maintains accounts at several financial institutions. Cash and cash equivalents and investment accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) or by the Securities Investor Protection Corporation (SIPC). Cash at these institutions exceed insured limits at various times. The amounts in excess of FDIC limits totaled \$13,799,333 at June 30, 2021. Accounts insured by SIPC did not exceed SIPC limits at June 30, 2021. The Organization has not experienced any losses in such accounts and believes it was not exposed to any significant credit risk on cash and cash equivalents at June 30, 2021.

**NOTE 3. GRANT AND CONTRACT RECEIVABLES**

Grant and contract receivables at June 30, 2021 consisted of the following:

City of Seaside	\$ 36,029
Foundation Grants	<u>10,000</u>
Total grant and contract receivables	<u>\$ 46,029</u>

**NOTE 4. INVENTORY**

The Food Bank was established to acquire and distribute donated and purchased foods and United States Department of Agriculture (USDA) commodities. The Food Bank's policy is to recognize the flow of donated food through the Food Bank as in-kind contributions. The Food Bank's policy is that inventory may neither be sold nor pledged as security for debt.

**NOTE 4. INVENTORY (Continued)**

Inventory and food distribution consist of three types – (1) Donated food valued at \$1.27 per pound at June 30, 2021, using an average value derived from Feeding America; formally known as the Second Harvest National Food Bank Network; (2) Purchased food valued at cost; and (3) Emergency Food Assistance Program (EFAP) food valued according to the USDA's determination of the commodities' fair value.

At June 30, 2021 inventories consisted of the following:

Gift Cards	\$ 143,350
Donated Food	639,747
Purchased Food	583,263
USDA Commodities	<u>1,166,116</u>
Total Inventory	<u>\$ 2,532,476</u>

**NOTE 5. PROPERTY AND EQUIPMENT – NET**

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

Land	\$ 2,609,000
Vehicles	1,753,247
Warehouse equipment	990,076
Office equipment	305,032
Land improvements	273,841
Buildings	8,066,755
Construction in progress	<u>16,045</u>
Total	14,013,996
Less accumulated depreciation	<u>1,970,767</u>
Property and equipment – net	<u>\$ 12,043,229</u>

Depreciation expense for the year ended June 30, 2021 amounted to \$540,717.

**NOTE 6. LOAN PAYABLE**

In November 2019, the Food Bank entered into a promissory note with Pinnacle Bank in the amount of \$7,379,826. The loan has monthly principal and interest payments of \$42,367 with an interest rate of 4.75% beginning January 8, 2019 for 60 months, then monthly principal and interest payments of \$48,351 for 47 months beginning on January 8, 2024, with an interest rate of 6%, and one balloon payment of principal and interest of \$5,915,599 on December 8, 2027. The loan is secured by the property at W. Rossi Street, Salinas, California.

Future minimum payments are as follows for the year ended June 30, 2021:

2022	\$ 168,762
2023	177,072
2024	184,900
2025	194,894
2026	204,490
Thereafter	<u>6,191,285</u>
Total	<u>\$ 7,121,403</u>

**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2021 were as follows:

<u>Purpose</u>	<u>Balance 6/30/20</u>	<u>Added</u>	<u>Satisfied</u>	<u>Balance 6/30/21</u>
Sunlight Giving				
3-year grant (starts in July 2019)	\$ 250,000	\$ –	\$ 250,000	\$ –
Discount	(13,504)	–	(13,504)	–
The David & Lucille Packard Foundation	372,414	–	165,517	206,897
Tanimura Family	–	75,000	–	75,000
Total	<u>\$ 608,910</u>	<u>\$ 75,000</u>	<u>\$ 402,013</u>	<u>\$ 281,897</u>

**NOTE 8. COMMUNITY FOUNDATION**

The Community Foundation for Monterey County holds an endowment fund for the Food Bank in the amount of \$96,017 as of June 30, 2021. The balance is not reflected in the Organization's financial statements as the Food Bank has no ownership rights to the fund. The income distribution from these funds to the Food Bank amounted to \$3,200 for the fiscal year ended June 30, 2021.

**NOTE 9. DEFERRED COMPENSATION PLAN**

The Food Bank has a deferred compensation plan under Internal Revenue code section 403(b), whereby employees may defer a portion of their salary immediately upon employment. After 12 months of employment, for employees who are at least 18 years of age, the Food Bank contributes an amount equal to 2.5% of the employee's base pay for all employees, regardless of whether they have elected to defer a portion of their pay. The Food Bank's contributions for the fiscal year ended June 30, 2021 was \$36,118.

**NOTE 10. LEASES**

On February 1, 2020, the Food Bank entered into a lease agreement that expires May 1, 2023 for a location to host Sunday and Thursday bingo games. The terms of the leases are identical and call for a rental rate of \$1,800 per weekly session, payable monthly, for all sessions for the month. Upon expiration, the leases will be converted to a month-to-month tenancy. Rents paid on both leases for the year ended June 30, 2021 totaled \$44,500.



**NOTE 10. LEASES (Continued)**

On October 27, 2017, the Food Bank entered into a contract with Technology Credit Corporation to purchase energy output to be generated from solar panels installed on the Food Bank's rooftop. The contract specified an energy payment rate ranging from \$0.1540 to \$0.2202 per kilowatt hour over the next twenty years. The terms of the agreement include an automatic extension for up to two years. Energy payments made to Technology Credit Corporation for the year ended June 30, 2021 were \$56,228.

**NOTE 11. CONTRIBUTIONS IN-KIND**

The estimated fair value of donated food, supplies and expert services received are recorded as contributions. During the year ended June 30, 2021, \$9,027,049 in food donations were received by the Food Bank, \$193,757 in donated assets and \$143,350 in donated gift cards.

The Food Bank also receives donated services that do not require specific expertise but are central to the Organization's operations. The estimated value of these services for the year ended June 30, 2021, based on the estimated dollar value of volunteer time calculated using California's minimum wage rates, amounts to \$1,038,656. In accordance with accounting principles generally accepted in the United States of America, the value of these services are not reflected in the financial statements.

**NOTE 12. CONCENTRATIONS**

The Food Bank received the majority of its funding from individuals and private foundations. To a large extent, the continued efficient operation of the Food Bank depends on maintaining the current level of support from these donors. Additionally, the Food Bank receives allocations of emergency supplemental food from governmental agencies, which include federal, state and local governments. A significant change in funding could impair the Food Bank's ability to operate the full scope of its current programs.

The Food Bank has a contractual agreement with Feeding America. The agreement improves the capacity of the Food Bank to provide solutions to the problem of hunger in America. Under the terms of the agreement, the Food Bank is required to maintain certain financial covenants, which they complied with for the year ended June 30, 2021. The Food Bank can terminate the agreement by a written notice 30 days in advance subject to the termination provisions as defined by the agreement. Feeding America can terminate the agreement with cause as provided by the compliance standards per the agreement.

**NOTE 13. LIQUIDITY**

The Food Bank has \$13,932,115 of financial assets available within one year of the balance sheet date consisting of cash of \$13,270,896, receivables of \$431,191, and investments of \$229,828. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF SUPPORT, REVENUE AND EXPENSES BY FUNCTION**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(WITH SUMMARIZED TOTALS FOR JUNE 30, 2020)

	PROGRAM SERVICES				SUPPORT SERVICES				2021 TOTAL	2020 TOTAL
	Direct Distributions	Emergency Food Assistance Program (EFAP)	Education and Advocacy	Produce Market	Total Program Services	Administration	Fundraising	Total Support Services		
<b>SUPPORT AND REVENUE:</b>										
Food donations	\$ 4,192,914	\$ 4,656,472	\$ -	\$ 177,663	\$ 9,027,049	\$ -	\$ -	\$ -	\$ 9,027,049	\$ 13,278,237
Product fees	125,985	4,656,472	-	-	125,985	-	-	-	125,985	308,695
	<u>4,318,899</u>	<u>4,656,472</u>	<u>-</u>	<u>177,663</u>	<u>9,153,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,153,034</u>	<u>13,586,932</u>
Cash contributions	7,293,359	-	-	-	7,293,359	-	-	-	7,293,359	4,901,143
Grants:										
Federal awards	50,000	3,304,584	-	-	3,354,584	-	-	-	3,354,584	1,821,491.00
Federal commodities	1,757,499	28,039,548	-	568,739	30,365,786	-	-	-	30,365,786	2,882,881
State and local government	-	-	-	-	-	-	-	-	-	-
Corporate and foundation	2,655,445	-	-	-	2,655,445	-	-	-	2,655,445	2,276,430
United Way	-	-	-	-	-	-	-	-	-	-
Bequests	6,532	-	-	-	6,532	-	-	-	6,532	66,772
Bingo income	-	-	-	-	-	-	308,319	308,319	308,319	326,621
Interest, other and miscellaneous income	1,254	-	-	-	1,254	5,823	-	5,823	6,877	5,377
Investment gain (loss)	51,460	-	-	-	51,460	-	-	-	51,460	(19,430)
Gain (loss) on sale of assets	-	-	-	-	-	-	-	-	-	(9,014)
Donated assets	193,757	-	-	-	193,757	-	-	-	193,757	11,712
Donated gift cards	143,350	-	-	-	143,350	-	-	-	143,350	-
	<u>\$ 16,471,555</u>	<u>\$ 36,000,604</u>	<u>\$ -</u>	<u>\$ 746,402</u>	<u>\$ 53,218,561</u>	<u>\$ 5,821</u>	<u>\$ 308,319</u>	<u>\$ 311,942</u>	<u>\$ 51,532,503</u>	<u>\$ 25,851,115</u>
<b>TOTAL SUPPORT AND REVENUE - 2021</b>										
<b>TOTAL SUPPORT AND REVENUE - 2020</b>	\$ 16,105,465	\$ 7,816,160	\$ (95)	\$ 1,499,077	\$ 25,420,607	\$ 104,077	\$ 326,431	\$ 430,508		
<b>EXPENSES:</b>										
Donated food	\$ 3,930,642	\$ 4,656,472	\$ -	\$ 177,663	\$ 8,764,777	\$ -	\$ -	\$ -	\$ 8,764,777	13,340,569
USDA commodities	1,746,065	27,712,746	-	574,048	30,034,859	-	-	-	30,034,859	2,596,724
Food costs	795,636	1,235,668	-	40,214	2,071,518	-	-	-	2,071,518	577,739
Salaries and wages	474,281	540,602	4,882	110,201	1,129,966	548,873	92,906	641,779	1,771,745	1,518,755
Employee benefits	144,832	161,690	776	38,191	345,489	37,368	11,223	81,591	427,080	382,355
Payroll taxes	32,784	39,466	360	8,087	80,697	37,907	6,787	44,694	125,391	109,609
Outside services	31,223	51,880	980	14,054	98,137	72,316	1,961	74,277	172,414	107,063
Supplies	106,632	94,175	474	18,860	220,141	1,754	949	2,703	222,844	167,709
Equipment Expense	5,534	5,436	49	1,570	10,589	774	345	1,119	11,708	19,453
Telephone	8,866	14,481	239	3,064	26,650	859	479	1,338	27,988	27,826
Postage	-	-	-	-	-	20,269	-	20,269	20,269	19,151
Occupancy	70,804	64,868	1,517	32,965	170,154	18,541	3,034	21,575	191,729	196,235
Printing and advertising	16,333	30,963	424	419	48,139	-	848	2,121	50,260	61,716
Vehicle expense	74,766	66,193	-	21,996	162,955	1,273	-	-	162,955	128,908
Meetings, training and travel	26,214	-	-	-	26,214	-	1,744	1,744	27,958	37,593
Membership dues	52,531	-	-	-	52,531	3,753	-	-	56,284	25,162
Depreciation	145,994	173,029	5,407	189,251	513,681	16,221	10,815	27,036	540,717	450,300
Interest expense	89,056	187,746	3,425	45,171	325,398	10,276	-	10,276	335,674	373,428
Bad debt expense	-	-	-	-	-	-	6,850	6,850	-	72,439
Miscellaneous	5,888	-	-	-	5,888	224	-	224	6,112	12,298
	<u>\$ 7,758,081</u>	<u>\$ 35,035,415</u>	<u>\$ 18,533</u>	<u>\$ 1,275,754</u>	<u>\$ 44,087,783</u>	<u>\$ 803,408</u>	<u>\$ 137,941</u>	<u>\$ 941,349</u>	<u>\$ 45,029,132</u>	<u>\$ 20,225,032</u>
<b>TOTAL EXPENSES - 2021</b>										
<b>TOTAL EXPENSES - 2020</b>	\$ 10,446,914	\$ 6,927,531	\$ 16,241	\$ 2,019,438	\$ 19,404,124	\$ 709,384	\$ 111,524	\$ 820,908		
Excess (deficiency) of revenue and support over expenses by program - 2021	\$ 8,713,474	\$ 965,189	\$ (18,533)	\$ (529,332)	\$ 9,130,778	\$ (797,785)	\$ 170,378	\$ (627,407)	\$ 8,503,371	
Excess (deficiency) of revenue and support over expenses by program - 2020	\$ 5,658,551	\$ 888,629	\$ (16,336)	\$ (514,361)	\$ 6,016,483	\$ (605,307)	\$ 214,907	\$ (390,400)	\$ 5,626,083	

See Notes to Financial Statements.

## **SUPPLEMENTARY INFORMATION**

**REPORT REQUIRED BY**  
***GOVERNMENT AUDITING STANDARDS***



## HAYASHI | WAYLAND

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

#### INDEPENDENT AUDITORS' REPORT

**Board of Directors  
Food Bank for Monterey County  
Monterey, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ***Food Bank for Monterey County***, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2021.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ***Food Bank for Monterey County's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Food Bank for Monterey County's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Food Bank for Monterey County's*** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that was consider to be a significant deficiency.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *Food Bank for Monterey County's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Food Bank for Monterey County's Response to Findings**

Food Bank for Monterey County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Food Bank of Monterey County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hayashi Wayland, LLP*

Salinas, CA  
December 15, 2021



**REPORTS REQUIRED BY  
THE UNIFORM GUIDANCE**



## HAYASHI | WAYLAND

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

#### INDEPENDENT AUDITORS' REPORT

**Board of Directors  
Food Bank for Monterey County  
Monterey, California**

#### **Report on Compliance for Each Major Federal Program**

We have audited the **Food Bank for Monterey County's** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the **Food Bank for Monterey County's** major federal programs for the year ended June 30, 2021. **Food Bank for Monterey County's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the **Food Bank for Monterey County's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **Food Bank for Monterey County's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the **Food Bank for Monterey County's** compliance.





### ***Opinion on Each Major Federal Program***

In our opinion, ***Food Bank for Monterey County*** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of ***Food Bank for Monterey County*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ***Food Bank for Monterey County's*** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ***Food Bank for Monterey County's*** internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hayashi Wayland, LLP*

Salinas, CA  
December 15, 2021



**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE</u>	<u>ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBERS</u>	<u>FEDERAL EXPENDI- TURES</u>
<u>U. S. Department of Agriculture:</u>			
Pass-through Agency: California Department of Social Services – Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	N/A	<u>59,930</u>
Food Distribution Cluster –			
<u>U. S. Department of Agriculture:</u>			
Pass-through Agency: California Department of Social Services – The Emergency Food Assistance Program:			
Administrative Costs	10.568	MOU #15-00127	\$ 291,767
COVID-19 Administrative Costs	10.568	MOU #15-00127	661,865
Commodities	10.569	N/A	<u>30,034,859</u>
Total U. S. Department of Agriculture programs in cluster			<u>30,988,491</u>
Total U. S. Department of Agriculture programs			<u>31,048,421</u>
CDBG – Entitlement Grants Cluster –			
<u>U. S. Department of Housing and Urban Development:</u>			
Special Projects Grant Program			
Pass-through Agency: City of Monterey			
Community Development Block Grant	14.218	N/A	17,000
City of Seaside			
COVID-19 Community Development Block Grant	14.218	N/A	36,029
City of Salinas			
Community Development Block Grant	14.218	N/A	310,957
County of Monterey			
COVID-19 Community Development Block Grant	14.218	N/A	<u>498,196</u>
Total U. S. Department of Housing and Urban Development programs in cluster			<u>862,182</u>

See Notes to Schedule of Expenditures of Federal Awards.

**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(Continued)

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBERS	FEDERAL EXPENDI- TURES
<u>U. S. Department of Treasury –</u>			
Pass-through Agency:			
State of California Health and Human Services Agency			
Department of Social Services			
COVID-19 Coronavirus Relief Funds	21.019	N/A	<u>771,217</u>
<u>Department of Health and Human Services:</u>			
Pass-through Agency:			
Monterey County			
Community Services Block Grant	93.569	N/A	<u>100,570</u>
<u>U. S. Department of Homeland Security,</u>			
<u>Federal Emergency Management Agency:</u>			
Pass-through Agency:			
Monterey County			
Federal Emergency Management Agency Disaster Assistance	97.036	5010-CAP20FBMC	250,000
United Way of Monterey County			
Emergency Food and Shelter National Board Program	97.024	N/A	20,613
COVID-19 Emergency Food and Shelter National Board Program	97.024	N/A	<u>29,387</u>
Total U. S. Department of Homeland Security programs			<u>300,000</u>
Total expenditures of federal awards			<u>\$ 33,082,390</u>

See Notes to Schedule of Expenditures of Federal Awards.

**FOOD BANK FOR MONTEREY COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**NOTE 1.      Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Food Bank for Monterey County under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Food Bank for Monterey County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Food Bank for Monterey County.

**NOTE 2.      Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Food Bank for Monterey County has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3.      Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, the Food Bank for Monterey County had food commodities totaling \$1,166,116 in inventory.

**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(cies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(cies) identified? No

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? No

Identification of Major Programs

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.568	The Emergency Food Assistance Program – Administrative Costs
10.569	The Emergency Food Assistance Program – Commodities
21.019	Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(Continued)

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**II. FINANCIAL STATEMENT FINDINGS**

A. Reportable Conditions in Internal Control

**2021-001** – Revenue from the CARES funding recorded in the incorrect fiscal year.

**Condition:** In fiscal year 2021, the Organization submitted an expense reimbursement request to the County that included expenses incurred in the prior fiscal year. These expenses were not recorded as revenue and receivable as of June 30, 2020.

**Criteria:** When the Organization meets the requirements to receive funds from a reimbursable grant, revenue should be recorded. For this CARES grant, the requirements are met when expenses allowable under the grant agreement are incurred. Revenue and related receivables from expenses incurred prior to June 30, 2020 that the Organization decided to submit for reimbursement after year end, should have been recognized in fiscal year 2020.

**Cause:** In fiscal year 2021, the Organization requested expense reimbursement from a grant that included various invoices for expenses incurred in the current and prior fiscal year.

**Effect:** Revenue and Account Receivable as of June 30, 2020 was understated.

**Context:** The Organization had to submit a reimbursement request from a CARES grant that was close to expiring in September 2020. Various invoices were submitted with the request, including invoices for expenses incurred in the prior fiscal year. These expenses were incurred within the period of the grant which covered two different fiscal years, but the revenue from invoices dated in the prior fiscal year were not recognized as revenue in the proper period. The entire amount requested was recorded as revenue when payment was received in fiscal year 2021.

**Recommendation:** The Food Bank should review the invoices that are included with their reimbursement requests and verify that the revenue and related receivable for those invoices are recorded in the period when the grant conditions are met.

**Views of Responsible Officials:** The Food Bank will closely review invoices attached to the reimbursement request report when they submit the request to ensure the revenue is recognized in the proper period.

**FOOD BANK FOR MONTEREY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(Continued)

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B. Compliance Findings

There are no compliance findings.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There are no findings and questioned costs.