

Food in Need of Distribution, Inc.

dba FIND Food Bank

Financial Statements
and Single Audit Reports and Schedules

June 30, 2020
(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Food in Need of Distribution, Inc.
dba FIND Food Bank
Indio, California

We have audited the accompanying financial statements of Food in Need of Distribution, Inc. dba FIND Food Bank (a California nonprofit corporation) ("FIND"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 in Need of Distribution, Inc. dba FIND Food Bank as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 4 to the financial statements, the Organization has adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective July 1, 2019. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 15 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 Requirements for Federal Awards*, 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 4, 2020, on our consideration of FIND's internal control over financial reporting and on 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 effectiveness of FIND's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FIND's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of Food in Need of Distribution, Inc. dba FIND Food Bank as of June 30, 2019, were audited by other auditors whose report dated November 11, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Jose, California

December 4, 2020

Food in Need of Distribution, Inc.
dba FIND Food Bank
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,601,420	\$ 2,369,081
Agency receivables	53,338	45,353
Grants and contributions receivable	423,383	21,865
Inventory	1,251,621	1,095,595
Prepays and other current assets	242,629	67,187
Total current assets	6,572,391	3,599,081
Non-current assets		
Property and equipment, net	4,682,021	4,458,914
Deposits	1,500	1,500
Total non-current assets	4,683,521	4,460,414
Total assets	\$ 11,255,912	\$ 8,059,495
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 70,645	\$ 45,130
Accrued expenses	139,516	71,612
Paycheck Protection Program forgivable loan	224,945	-
Note payable, current	64,236	64,236
Total current liabilities	499,342	180,978
Long-term liabilities		
Notes payable, net of current portion	1,054,114	1,118,463
Capital lease obligations	18,152	-
Total long-term liabilities	1,072,266	1,118,463
Total liabilities	1,571,608	1,299,441
Net assets		
Without donor restrictions	9,073,681	6,307,008
With donor restrictions	610,623	453,046
Total net assets	9,684,304	6,760,054
Total liabilities and net assets	\$ 11,255,912	\$ 8,059,495

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

Food in Need of Distribution, Inc.
dba FIND Food Bank
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Support and revenue				
Contributions in-kind food - non-government	\$ 20,076,761	\$ -	\$ 20,076,761	\$ 16,516,238
Government support - in-kind food	5,679,847	-	5,679,847	3,196,032
Grants and contributions	2,877,295	371,687	3,248,982	1,591,340
Government support - cash	-	2,086,946	2,086,946	868,283
Fundraising and special events	649,029	-	649,029	340,421
Shared maintenance fees	130,307	-	130,307	179,637
Other income	95,302	-	95,302	96,713
Interest income	11,781	-	11,781	17,566
Net assets released from restriction	<u>2,301,056</u>	<u>(2,301,056)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>31,821,378</u>	<u>157,577</u>	<u>31,978,955</u>	<u>22,806,230</u>
Functional expenses				
Program services				
Food distribution	14,974,975	-	14,974,975	12,988,817
Fresh produce	12,228,563	-	12,228,563	7,959,213
Community impact	462,472	-	462,472	299,799
Children's summer feeding	345,953	-	345,953	300,977
Disaster relief	<u>361,305</u>	<u>-</u>	<u>361,305</u>	<u>-</u>
Total program services	<u>28,373,268</u>	<u>-</u>	<u>28,373,268</u>	<u>21,548,806</u>
Support services				
Management and general	246,022	-	246,022	292,361
Fundraising	<u>435,415</u>	<u>-</u>	<u>435,415</u>	<u>432,986</u>
Total support services	<u>681,437</u>	<u>-</u>	<u>681,437</u>	<u>725,347</u>
Total functional expenses	<u>29,054,705</u>	<u>-</u>	<u>29,054,705</u>	<u>22,274,153</u>
Change in net assets (Note 3)	2,766,673	157,577	2,924,250	532,077
Net assets, beginning of year	<u>6,307,008</u>	<u>453,046</u>	<u>6,760,054</u>	<u>6,227,977</u>
Net assets, end of year	<u>\$ 9,073,681</u>	<u>\$ 610,623</u>	<u>\$ 9,684,304</u>	<u>\$ 6,760,054</u>

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

Food in Need of Distribution, Inc.
dba FIND Food Bank
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Food Distribution	Fresh Produce	Community Impact	Children's Summer Feeding	Disaster Relief	Total Program Services	Management and General	Fundraising	2020 Total	2019 Total
Personnel expenses										
Salaries and wages	\$ 233,382	\$ 181,519	\$ 269,677	\$ 103,725	\$ 100,835	\$ 889,138	\$ 159,645	\$ 194,327	\$ 1,243,110	\$ 988,481
Employee benefits	40,531	31,480	30,941	17,989	515	121,456	21,873	14,060	157,389	150,563
Payroll taxes	19,853	15,441	23,963	8,823	7,898	75,978	15,501	16,263	107,742	87,141
Total personnel expenses	293,766	228,440	324,581	130,537	109,248	1,086,572	197,019	224,650	1,508,241	1,226,185
Donated food and supplies distributed	14,066,573	11,534,009	-	-	-	25,600,582	-	-	25,600,582	19,457,733
Purchased food and supplies distributed	187,319	177,017	-	105,836	208,514	678,686	-	-	678,686	534,128
Depreciation	115,049	51,133	51,133	12,783	-	230,098	12,783	12,783	255,664	241,536
Transportation and vehicles	79,907	57,977	137	26,098	2,227	166,346	375	-	166,721	110,622
Shipping and freight	51,445	74,823	-	24,941	2,405	153,614	-	-	153,614	146,799
Direct mail and advertising	-	-	2,939	-	-	2,939	78	130,223	133,240	114,499
Repairs and maintenance	39,217	26,146	6,188	13,074	7,766	92,391	1,461	1,561	95,413	59,960
Occupancy costs	35,914	17,957	13,468	7,183	-	74,522	1,796	13,468	89,786	81,319
Interest expense	21,343	10,672	8,004	4,269	-	44,288	1,067	8,004	53,359	56,114
Supplies and materials	11,836	8,696	2,680	4,229	21,526	48,967	465	977	50,409	20,834
Professional fees	21,506	9,558	9,558	2,390	-	43,012	2,390	2,405	47,807	18,768
Travel and meeting expenses	2,740	848	20,222	485	219	24,514	16,643	3,447	44,604	45,628
Insurance	15,592	8,287	9,758	3,550	-	37,187	1,747	5,184	44,118	38,385
Telephone and computers	10,974	8,639	9,853	1,886	-	31,352	2,017	6,817	40,186	45,631
Office expenses	9,037	3,169	3,885	4,207	-	20,298	4,985	8,937	34,220	20,621
Bank charges and other fees	-	-	-	-	9,400	9,400	2,560	13,365	25,325	10,116
Contract labor	6,696	6,696	-	3,348	-	16,740	-	1,734	18,474	11,753
Member fees	6,061	4,496	66	1,137	-	11,760	636	1,860	14,256	23,432
C4C expenses	-	-	-	-	-	-	-	-	-	10,090
	<u>\$ 14,974,975</u>	<u>\$ 12,228,563</u>	<u>\$ 462,472</u>	<u>\$ 345,953</u>	<u>\$ 361,305</u>	<u>\$ 28,373,268</u>	<u>\$ 246,022</u>	<u>\$ 435,415</u>	<u>\$ 29,054,705</u>	<u>\$ 22,274,153</u>
Percentage of total	<u>51.5 %</u>	<u>42.1 %</u>	<u>1.6 %</u>	<u>1.2 %</u>	<u>1.2 %</u>	<u>97.6 %</u>	<u>0.9 %</u>	<u>1.5 %</u>	<u>100.0 %</u>	

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

Food in Need of Distribution, Inc.
dba FIND Food Bank
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 2,924,250	\$ 532,077
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	255,664	241,536
In-kind contributions of food (including USDA)	(25,756,608)	(19,712,270)
Distribution of food received in-kind	25,600,582	19,457,733
Changes in operating assets and liabilities		
Agency receivables	(422,081)	(17,019)
Grant and contributions receivable	12,578	324,283
Inventory	(156,026)	155,914
Prepays and other current assets	(19,416)	24,993
Accounts payable	25,515	(364,571)
Accrued expenses	67,904	31,459
Lift to rise	-	(132,465)
Net cash provided by operating activities	2,532,362	541,670
Cash flows from investing activities		
Purchase of property and equipment	(478,771)	(116,217)
Receipts from maturity of certificates of deposit	-	18,836
Net cash used in investing activities	(478,771)	(97,381)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program refundable loan	224,945	-
Capital lease obligations	18,152	-
Principal payments on note payable	(64,349)	(61,483)
Net cash provided by (used in) financing activities	178,748	(61,483)
Net increase in cash and cash equivalents	2,232,339	382,806
Cash and cash equivalents, beginning of year	2,369,081	1,986,275
Cash and cash equivalents, end of year	\$ 4,601,420	\$ 2,369,081

Supplemental disclosure of cash flow information

Cash paid during the year interest	\$ 53,359	\$ 56,114
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The accompanying notes are an integral part of these financial statements.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

1. NATURE OF OPERATIONS

Food In Need of Distribution, Inc. dba FIND Food Bank ("FIND") is a nonprofit 501(c)(3) organization incorporated in 1983. FIND is the trusted leader dedicated to ending hunger in the Coachella Valley Desert Region of the state. Since its inception, FIND has become one of the larger food banks in California, and is now recognized as the Desert's Regional Food Bank. In its service area, FIND is the largest hunger relief organization and also the largest food rescue organization, providing food to an average of more than 100,000 people each month. FIND mobilizes individuals, companies and community partners to equitably connect people to the nutritious food they need. Nearly half of the food distributed is fresh produce. FIND also plays a leading role in promoting federal nutrition programs and educating families on how to make better food choices.

As part of its determination to ensure that every person who needs a meal gets a meal, FIND's strategic plan focuses on the following areas:

- *Efficiency* - Optimizing the food supply chain to maximize impact with clients it serves;
- *Outreach* - Using a hands-on approach to connect the food insecure to food and other resources that can support them increasing their self-sufficiency, and;
- *Leadership* - Leading and educating the community as an expert in the issue of hunger.

FIND measures its success based on equitably increasing the number of meals provided to hungry households in the community, reducing the cost per pound of food distributed, and maintaining or improving the nutritional quality of the food provided.

FIND procures food donations from a number of channels including local manufacturers, growers, and retailers; corporate and community food drives; government food programs such as United States Department of Agriculture (USDA); and the California Association of Food Banks' Farm to Family Program, which provides large volumes of fresh fruits and vegetables. In the most recent fiscal year, FIND spent approximately \$679,000 procuring, packing and transporting produce to supplement donated items, ensuring nutritious meals to an average 100,000 people each month. Of the 18.3 million pounds of food distributed, 43% was fresh produce and vegetables. FIND provides food through its direct-distribution sites and by supplying food to partnering nonprofit agencies at more than 150 different food distribution sites. In addition, local households signed up by FIND for food stamps benefits were able to obtain approximately 2.1 million additional pounds of food by virtue of that successful outreach effort. The incremental food provided via FIND's efforts - both via direct distribution and public outreach - totaled approximately 20.4 million pounds, translating into approximately 16.9 million meals to the community in one year.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

2. PROGRAM SERVICES

FIND offers three major categories of program services to the community. The suite of programs is designed to help support food insecure individuals transition from their dependency on core food distribution programs to self-sufficiency in feeding themselves, with a strong understanding that all individuals' situation has a unique set of circumstances. For each individual how they utilize FIND programs within this program impact framework is dependent on the client's situational needs. FIND recognizes, appreciates and respects these factors and supports clients for any length of time needed to ensure their primal needs of food intake for health is met.

Ending Hunger for Today Programs

This suite of programs is designed to provide access to clients' core needs of healthy foods through food distribution sites to be able to survive and have the ability to thrive.

- *Agency Partners* - FIND collaborates with community-based organizations to help supply their food pantries and food distributions at more than 100 different distribution sites for low-income members of the community. Types of partners include soup kitchens, religious organizations, homeless shelters and low income housing complexes.
- *FIND Free Community Mobile Markets (FCMM)* - FIND offers 44 direct food distribution service programs per month to low income geographic locations that have very limited access to affordable food sources (aka "Food Deserts") and/or heavily impacted low income communities whose affordable food sources and agency partners are not ample enough to supply the food need to adequately feed that community. Partners engaged in FIND's direct distributions include low income housing complexes, schools, community centers, senior centers, business and city owned parking lots. Distributions are focused on either general community food distributions, child specific and/or senior specific food distributions.
- *The Emergency Food Assistance Program (TEFAP)* - The emergency food assistance program is the federal USDA food commodities program administered through the State of California. As a contractor to the state of California for this program, FIND utilizes 19 of its agency partners' network and its 44 FCMM's to ensure the equitable distribution of these food items to the community. TEFAP accounts for approximately 40% of FIND's food supply.
- *Disaster Food Distribution* - FIND is the Coachella Valley Desert's Regional Food Bank recognized by both the state and county as the main supplier of disaster food distribution to the community.

Ending Hunger for Tomorrow Programs

This suite of programs is designed to support clients' access to food through other programs besides direct food distributions. The purpose of these programs is to support the clients increased self-sufficiency to accessing food to help them thrive.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

2. PROGRAM SERVICES (continued)

Ending Hunger for Tomorrow Programs (continued)

- *CalFresh Outreach* - FIND's core program in the Ending Hunger for Tomorrow Programs suite, is a client outreach program that provides education, application and enrollment support for clients to access USDA CalFresh benefits to purchase food at local grocery stores. During the year ended June 30, 2020, FIND enrolled 2,573 clients in this program.
- *Community Health Workers (CHW)* - FIND's CHW program is designed to help clients access other support services that can help provide monetary support in other areas such as rental and utility assistance, MediCal insurance, job training and placement services, freeing up resources to help them purchase food independently.

Ending Hunger for Lifetime Programs

This suite of programs is designed to support clients' access to food through other programs besides direct food distributions. The purpose of these programs is to support the clients increased self-sufficiency to accessing food to help them thrive.

- *Advocacy* - FIND advocacy serves an important role in informing stakeholders about the importance of partnership between public and private efforts to address hunger.
- *Community Nutrition Education* - FIND provides nutrition, food safety and food handling training and support materials for clients and partner agencies to ensure a lifelong understanding that through health, individuals have a better ability to achieve long term self-sufficiency.

3. CHANGE IN NET ASSETS

The positive change in net assets for the year ended June 30, 2020, is largely due to operating funds raised in response to the COVID-19 pandemic. The economic impact caused by the pandemic could last several years. The operating funds will be used in these years to address the ongoing need to provide hunger relief services to the community.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). FIND reports its financial position and operating activities in two classes of net assets:

- *Net assets without donor restrictions* - include those assets used to carry out the operations of FIND.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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. FIND had no net assets subject to non-expiring donor restrictions as of June 30, 2020.

Change in accounting principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional.

FIND adopted ASU 2018-08 with a date of the initial application of July 1, 2019 using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on the FIND's financial position, result of activities, or cash flows. FIND has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 GAAP. Accordingly, such information should be read in conjunction with FIND's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash and cash equivalents

FIND considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, and excludes donor restricted receipts and amounts designated for long-term purposes.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agency, grants, and contributions receivable

FIND considers all agency, grants, and contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. FIND uses the direct write-off method for bad debts.

Inventory

Inventory consists of donated food and non-food items, purchased food, and United States Department of Agriculture (USDA) commodities received from the government. Donated nongovernment products were valued at \$1.74 and \$1.62 per pound for the years ended June 30, 2020 and 2019, respectively. This valuation is based on a cost study conducted for Feeding America. Purchased food approximates actual cost and is valued utilizing first in, first out (FIFO) method. Product purchased during the fiscal year ended June 30, 2020 was valued at cost and averaged \$0.73 per pound. USDA commodities received during the fiscal year ended June 30, 2020 was valued at \$0.86 per pound except for the Corona Virus Food Assistance Program which was valued at \$1.49 per pound for the year ended June 30, 2020. The purchased product on hand at June 30, 2019 was valued at an average of \$0.61 per pound. All USDA commodity product on hand at June 30, 2019 was valued at an average of \$0.78 per pound. For valuation purposes, all donated food, non-food items, and USDA commodities inventory are classified as Level 2 assets and all purchased food inventory is classified as a Level 1 asset.

Fair value measurements

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 FIND. Unobservable inputs reflect FIND'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.

- *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.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect FIND'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 FIND'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. FIND did not have any assets or liabilities classified as Level 3.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Depreciation 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 \$1,000 are capitalized. Depreciation 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.

FIND 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. FIND has not identified any such impairment losses to date.

Contributions and promises to give

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. FIND 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 donor 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 support with or without donor restrictions.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Notes to Financial Statements
June 30, 2020
(With Comparative Totals for 2019)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

FIND receives a significant amount of government cash and in-kind food assistance through local, state and federally funded reimbursement programs. The revenue generated from these programs is recorded as government support in the statement of activities. This government support meets the criteria to be classified as conditional contributions under GAAP revenue recognition for nonprofit organizations as it contain barriers related to incurrence of qualifying expenditures and a right of return or release. In the event amounts are received and barriers have not yet been met, FIND records such amounts as refundable advance until barriers have been met.

Allocation of functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, management estimates FIND's indirect salary expense allocation based on individual employees estimated time spent by function or time studies. Management's estimate of other indirect costs are based on salary expense, poundage, or actual food distribution by counties.

Advertising costs

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2020 and 2019 totaled \$23,290 and \$7,092, respectively.

Income tax status

Food in Need of Distribution, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and 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.

Accounting principles generally accepted in the United States of America 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 FIND in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

Food in Need of Distribution, Inc.
 dba FIND Food Bank
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

In order to conform the current year financial statement presentation, certain reclassifications were made to the prior year financial statements to conform to the current year financial statements.

Subsequent events

FIND has evaluated events and transactions subsequent to June 30, 2020 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 4, 2020, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that would require recognition or additional disclosure in the financial statements.

5. INVENTORY

Inventory consisted of the following:

	2020	2019
USDA food commodities	\$ 507,257	\$ 641,861
Purchased food	310,216	142,987
Donated non-government food and non-food supplies	205,196	284,469
Emergency relief boxes	159,244	-
Produce	69,708	26,278
	\$ 1,251,621	\$ 1,095,595

6. PROPERTY AND EQUIPMENT

FIND entered into grant agreements with various local governments to acquire the land and building from which FIND currently operates, 83775 Citrus Avenue, Indio, California, 92201. Grant restrictions included a requirement that the building be used to distribute food for a minimum of 5 years from October 1, 2009, through September 30, 2014. The grants also include provisions that, in the event the land and building are sold before a specific date, the grants require that a portion of the original grant funding be returned to the grantors on a sliding scale, ending March 31, 2023. Management currently has no intentions of selling the land and building.

The City of Indian Wells (IW) granted FIND \$250,000 for this project. The IW grant allows FIND to lease up to 50% of the building with the lease proceeds restricted for use for FIND's charitable purpose. If the land and building were sold, the grant funds to be returned to IW are as follows as of June 30, 2020:

Food in Need of Distribution, Inc.
dba FIND Food Bank
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6. PROPERTY AND EQUIPMENT (continued)

Sale date prior to April 1, 2018	Return \$250,000 (100% of original grant)
Sale date April 1, 2018 - March 31, 2019	Return \$225,000 (90% of original grant)
Sale date April 1, 2019 - March 31, 2020	Return \$200,000 (80% of original grant)
Sale date April 1, 2020 - March 31, 2021	Return \$150,000 (60% of original grant)
Sale date April 1, 2021 - March 31, 2022	Return \$125,000 (50% of original grant)
Sale date April 1, 2022 - March 31, 2023	Return \$100,000 (40% of original grant)

Property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 4,681,893	\$ 4,681,893
Vehicles	1,257,297	1,012,548
Equipment	1,068,974	920,994
Land	560,778	560,778
Computer equipment	116,776	98,814
Building improvements	<u>113,172</u>	<u>99,783</u>
	7,798,890	7,374,810
Accumulated depreciation	<u>(3,116,869)</u>	<u>(2,915,896)</u>
	<u>\$ 4,682,021</u>	<u>\$ 4,458,914</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$255,664 and \$241,536, respectively.

7. NOTE PAYABLE

In November 2017, FIND refinanced its existing note payable with Bank of America due in January 2019 in order to obtain more favorable financing and remove the balloon payment. The new loan terms consist of an interest rate of 4.55% computed on a 360-day year, a seven-year life, and requires equal monthly payments of \$9,809 with the remaining principal due with the last payment which is due on December 10, 2024. The new notes is collateralized by the real property.

The note payable is subjected to covenant clauses whereby FIND is required to meet certain key financial ratios on an annual basis. FIND was in compliance with the covenant clauses for the years ended June 30, 2020 and 2019. FIND has committed to working with the bank to supply annual financial statements and and other financial reports.

Food in Need of Distribution, Inc.
 dba FIND Food Bank
 Notes to Financial Statements
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 (With Comparative Totals for 2019)

7. NOTE PAYABLE (continued)

The future maturities of the note payable are as follows:

<u>Year ending June 30,</u>	
2021	\$ 64,236
2022	70,709
2023	74,041
2024	77,421
2025	81,375
Thereafter	<u>750,568</u>
	<u>\$ 1,118,350</u>

8. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act was signed into law. One component of the CARES Act was the Paycheck Protection Program (“PPP”) which provides small business with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (“SBA”) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. On May 11, 2020, FIND received funding for \$224,945.

The loan is a two-year loan with a maturity date of April 16, 2022. The loan bears an annual interest rate of 1%. The loan shall be payable monthly with the first ten monthly payments deferred. It is FIND’s intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the sole approval of the SBA. FIND is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the Loan date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

FIND used all loan proceeds to partially subsidize payroll expenses and eligible nonpayroll expenses. FIND expects to meet the PPP’s forgiveness eligibility criteria and that the PPP loan will be recognized as a revenue upon loan forgiveness. As of June 30, 2020, the PPP loan is recognized as Paycheck Protection Program forgivable loan on the statement of financial position. FIND plans to submit its forgiveness application during year ending June 30, 2021. The loan will be recognized as income in the statement of activities in the year FIND receives formal approval of forgiveness.

Food in Need of Distribution, Inc.
 dba FIND Food Bank
 Notes to Financial Statements
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 (With Comparative Totals for 2019)

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2020	2019
COVID-19 response	\$ 227,822	\$ -
Kids farmers' markets and summer clubs	187,161	181,248
Community health workers program	87,930	115,000
2020 census	50,000	-
Food purchase	16,187	-
Anza mobile pantry	10,000	-
Leadership training	7,777	20,042
Phase 37 District 5 transportation funding	7,487	-
Health grant	6,000	6,000
Hunger grant	5,250	-
La Quinta mobile pantry	3,000	-
Essential needs: food assistance	1,125	-
Mile Pep G/A milk drive	884	882
Senior hunger program	-	75,000
SNAP equitable access: seniors	-	31,200
Albertsons foundation hunger grant	-	18,424
Income stability grant	-	5,250
	\$ 610,623	\$ 453,046

Food in Need of Distribution, Inc.
 dba FIND Food Bank
 Notes to Financial Statements
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 (With Comparative Totals for 2019)

9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

COVID-19 response	\$ 452,874
TEFAP	358,773
CARES Act	280,367
Produce distribution	268,667
Kids farmers' markets and summer clubs	211,248
CalFoods project	104,437
Senior hunger program	75,000
USDA product	73,620
Tractor	63,900
Calfresh outreach	57,331
SNAP equitable access: seniors	31,200
Cal recycle grant	29,899
Community health workers program	27,070
Economic mobility	25,000
Phase 36 transportation funding	24,506
Desert highlands unity center	21,870
Warehouse operations	20,316
CDBG	19,000
Albertsons foundation hunger grant	18,424
Mobile scanning devices	15,363
Sea View elementary school	14,789
Oasis elementary school	14,608
Leadership training	12,265
Fight hunger	11,400
505 surveys	10,908
Anza mobile pantry	10,000
Holiday grant	10,000
Red nose day child hunger	10,000
Sacred Heart food distribution	9,438
Income stability grant	7,000
Outreach collaboration	5,901
Mobile pantries	5,000
Mile Pep G/A milk drive	882
	<u>882</u>
	<u><u>\$ 2,301,056</u></u>

Food in Need of Distribution, Inc.
 dba FIND Food Bank
 Notes to Financial Statements
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 (With Comparative Totals for 2019)

10. CONTRIBUTIONS IN-KIND

Contributions in-kind consisted of the following:

	2020	2019
Non-government in-kind food	\$ 20,076,761	\$ 16,516,238
Government in-kind food	5,679,847	3,196,032
	\$ 25,756,608	\$ 19,712,270

FIND also receives donated services that do not require specific expertise but which are nonetheless central to FIND's operations. For the years ended June 30, 2020 and 2019, the estimated value of these services, based on the estimated dollar value of volunteer time calculated by average rate by job category, totaled \$390,000 and \$255,500, respectively. The value of these services is not reflected in the financial statements.

11. SHARED MAINTENANCE FEES

FIND 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 \$0.028 per pound for the year ended June 30, 2020. Total shared maintenance fees during the years ended June 30, 2020 and 2019, totaled \$130,307 and \$179,637, respectively.

12. CONTINGENCIES

Contingencies

Grants and contracts awarded to FIND 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, FIND 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 through the year ended June 30, 2020.

Legal proceedings

In the ordinary course of its operations, FIND is engaged in occasional litigation. Management anticipates no significant adverse outcomes related to any such ongoing activity to have a material adverse effect on FIND's financial condition, results of activities or cash flows.

Food in Need of Distribution, Inc.
 dba FIND Food Bank
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 (With Comparative Totals for 2019)

13. CONFLICT OF INTEREST

FIND has adopted a conflict of interest policy for Board members and employees whereby the fact or appearance of a person's loyalties or actions are divided between FIND's interests and those of another, such as a competitor, supplier, or customer, are to be avoided. Any exceptions to this guideline must be approved in writing by FIND's President and CEO. Any close relationships between an employee and either a competitor, supplier, or customer, must be disclosed by the employee in writing to the personnel department. Employees who enter into a personal relationship with a subordinate employee or with an employee of a competitor, supplier, or customer, should be made aware that a conflict of interest may exist, and would require full disclosure to FIND. Failure to adhere to these guidelines, including failure to disclose any conflicts or seek an exception, may result in discipline, up to and including termination of employment.

14. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Short-term receivables consists of agency receivables and grants and contributions receivable and are expected to be received within one year from June 30, 2020. Short-term agency receivables and grants and contributions receivable without donor restrictions will be available to support general operations of FIND.

Financial assets available to meet cash needs for general expenditures within one year of June 30, 2020 consisted of the following:

Available financial assets:	
Cash and cash equivalents	\$ 4,601,420
Agency receivables	53,338
Grants and contributions receivable	<u>423,383</u>
	<u>5,078,141</u>
Less amounts unavailable for general expenditure within one year:	
Net assets restricted for a specified purposes	<u>(610,623)</u>
	<u>(610,623)</u>
	<u><u>\$ 4,467,518</u></u>

Food in Need of Distribution, Inc.
dba FIND Food Bank
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(With Comparative Totals for 2019)

15. RISKS AND UNCERTAINTIES

During the COVID-19 pandemic, FIND's services have generally been considered essential in nature and have not been materially interrupted. As the situation continues to evolve, FIND is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business, including how it impacts FIND's food distribution, vendors, employees and ability to provide services. FIND believes the ultimate impact of the COVID-19 pandemic on its program services and financial condition is likely to be determined by factors which are uncertain, unpredictable and outside of its control.

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Food in Need of Distribution, Inc.
dba FIND Food Bank
Indio, 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 in Need of Distribution, Inc. dba FIND Food Bank (a California nonprofit corporation) ("FIND"), which comprise the statement of financial position as of June 30, 2020, 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 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FIND'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 FIND's internal control. Accordingly, we do not express an opinion on the effectiveness of FIND'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 a 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FIND's financial statements are free from 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*.

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 FIND's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FIND's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
San Jose, California

December 4, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

To the Board of Directors
Food in Need of Distribution, Inc.
dba FIND Food Bank
Indio, California

Report on Compliance for Each Major Federal Program

We have audited Food in Need of Distribution, Inc. dba FIND Food Bank (a California nonprofit corporation) ("FIND")'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 FIND's major federal programs for the year ended June 30, 2020. FIND'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 FIND'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* (the "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 FIND'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 FIND's compliance.

Opinion on Each Major Federal Program

In our opinion, FIND 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, 2020.

Report on Internal Control Over Compliance

Management of FIND 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 FIND'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 FIND'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 weakness 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.



Armanino^{LLP}
San Jose, California

December 4, 2020

Food in Need of Distribution, Inc.
dba FIND Food Bank
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Agriculture			
Passed through			
California Department of Social Services			
Food Distribution Cluster			
Emergency Food Assistance Program (Food Commodities)	10.569	18-MOU-0606	\$ 6,015,872
Emergency Food Assistance Program (Administrative Costs)	10.568	18-MOU-0606	604,840
Emergency Food Assistance Program (CARES)	10.568	18-MOU-0606	280,367
Emergency Food Assistance Program (Administrative Costs)	10.568	18-MOU-0606	170,366
Total Food Distribution Cluster			<u>7,071,445</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	18-7013	<u>167,523</u>
California Department of Food and Agriculture			
Specialty Crop Block Grant Program (SCBGP) or Specialty Crop Multi-State Program (SCMP)	10.170	N/A	<u>21,066</u>
Total U.S. Department of Agriculture			<u>7,260,034</u>
U.S. Department of Housing and Urban Development			
Passed through			
The City of Indio			
Community Development Block Grant Program	14.218	N/A	<u>19,000</u>
Total U.S. Department of Housing and Urban Development			<u>19,000</u>
U.S. Department of Homeland Security			
Passed through			
Riverside County Department of Social Services Homelessness Program Unit			
Emergency Food and Shelter National Board Program	97.024	LRO 082000-009 Phase 36	24,506
Phase 36 Administrative Costs District 4	97.024	LRO 082000-009 Phase 36	7,487
Phase 37 Administrative Costs District 4	97.024	LRO 082000-009 Phase 36	<u>22,378</u>
Total U.S. Department of Homeland Security			<u>54,371</u>
Total Expenditures of Federal and State Awards			<u>\$ 7,333,405</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Food in Need of Distribution, Inc. dba FIND Food Bank ("FIND") under programs of the federal government for the year ended June 30, 2020. 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 FIND, it is not intended to and does not present the financial position, changes in net assets, or cash flows of FIND.

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 limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. FOOD DISTRIBUTION

The amounts reported for "Food Commodities" programs represent the dollar value of the U.S. Department of Agriculture (USDA) food commodities distributed to FIND during the year. The USDA and other distributors provide the current value of the commodities to compute the amounts reported. At June 30, 2020, FIND had USDA food commodities totaling \$507,257 in inventory.

4. INDIRECT COSTS

FIND has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Food in Need of Distribution, Inc.
 dba FIND Food Bank
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Food Distribution Cluster	
Emergency Food Assistance Program (Administrative Costs)	10.568
Emergency Food Assistance Program (Food Commodities)	10.569
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Food in Need of Distribution, Inc.
dba FIND Food Bank
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

SECTION IV - SUMMARY OF PRIOR AUDIT FINANCIAL STATEMENT FINDINGS

Finding number: 2019-001: Net Asset Reconciliation

Condition: In testing the balances of the net asset classifications, it was determined that the amounts within the three categories of net assets did not agree to the balances per the prior year audited financial statements. Management uses three net asset classifications assets without donor restriction, assets with donor restriction and assets with donor restriction in-kind. Adjustments were necessary to correct these balances including a reduction to assets with donor restriction of \$368,092, an increase to unrestricted net assets of \$155,023 and assets without donor restriction in-kind of \$213,039. There was no effect to net changes in net assets as a result of this adjustment as net assets in total were accurate. Management uses QuickBooks which requires manual adjustment of equity balances after the fiscal year has been closed in order to match the audited financial statements. The manual adjustment was not performed as part of management's accounting procedures.

Recommendation: The entity should include in its accounting procedures a process for reconciliation of the net asset categories.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-002: Ending Inventory Adjustment

Condition: In testing the final inventory balances, it was determined that management had included costs of food purchases in both the in-kind expenses and those expenses which were not in-kind. As such, management had recorded the cost of the inventory purchases as both an in-kind revenue and an in-kind expense in the final inventory journal entry. As changes to the inventory asset as well as donated in-kind revenues and donated in-kind expenses are recorded only one time annually, the calculation must ensure that the costs of food purchases are properly accounted for to prevent overstatement of the donated goods and distributed goods. The total adjustment to inventory recorded by management was \$20,076,230 in food donations and \$19,821,762 in food distributed. The adjustment required to remove the duplication of costs was a decrease of \$363,960 to food revenues and food expenses. The ending inventory balances was recorded correctly.

Recommendation: The entity should include in its accounting procedures a process for review of the calculation including ensuring that the food purchase balances are appropriately adjusted prior to making the journal entry.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Food in Need of Distribution, Inc.
dba FIND Food Bank
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

SECTION IV - SUMMARY OF PRIOR AUDIT FINANCIAL STATEMENT FINDINGS (continued)

Finding number: 2019-003: Deferred Revenue

Condition: In testing the entity's balance sheet, it was noted that in the current year, management had recorded deferred revenue unrestricted net assets. Upon investigation, it was concluded that these balances were in-fact representative of assets with donor restrictions related to the timing and purpose of the balances. Due to limitations of QuickBooks which is not able to automatically record multiple net asset classes and a change in management's process for recording and accounting for assets whose use is restricted, management recorded these balances within deferred revenue. The purpose of this transaction was to ensure that operating revenues would be indicative of actual revenue and funds available for general expenditure. A total of \$183,571 was removed from deferred revenue and recorded as assets with donor restrictions.

Recommendation: The entity should design an accounting procedure which will enable appropriate recording of the restricted fund that also meets management's needs for assessing the financial needs of the entity.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

SECTION V - SUMMARY OF PRIOR AUDIT FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding number: 2019-004: Allowable Costs - Personal Services Charges

CFDA number: 10.568

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

Pass-through entity: California Department of Social Services

Federal Sponsor

Award Number: 18-MOU-06006

Award year: 2018-2019

Type of finding: Non-compliance

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SECTION V - SUMMARY OF PRIOR AUDIT FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS (continued)

Condition: In testing the entity's compliance with Federal allowable cost regulations, we tested 60 direct cost transactions from the reimbursement request pool totaling \$182,351 of which \$108,681 were related to cash compensation. We identified one transaction related to compensation which could not be properly supported by the entity's records. The compensation amount could not be agreed to the human resources records nor the board approved salary for the individual. The transaction in question was related to a pay increase for an administrative staff member which was determined by the board of directors to be effective in the middle of the pay period. Implementation of the pay rate in the middle of a pay period required a manual calculation to be performed in order to calculate the amount of the employee's paycheck for the period. A calculation error was made which resulted in an additional \$308 to be paid to the employee and subsequently included in the population of costs submitted for reimbursement. This error was not identified by management. There were no other similar transactions.

Recommendation: The entity should not implement pay increases in the middle of pay periods as this increases the complexity of the payroll processes. Alternatively, in similar instances, a secondary review of the calculation by a third-party should be obtained.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-005: Allowable Costs - Penalties and Fines Charges

CFDA number: 10.568

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

Pass-through entity: California Department of Social Services

**Federal Sponsor
Award Number:** 18-MOU-06006

Award year: 2018-2019

Type of finding: Non-compliance

Condition: In testing the entity's compliance with Federal allowable cost regulations, we tested 60 direct cost transactions from the reimbursement request pool totaling \$182,351 of which \$31,564 were related to other direct costs. We identified one transaction related to a fine from the City of Indio for \$93. This fine was related to a response to a faulty alarm. This amount was included in management's population of costs for which a request for the administrative reimbursement would be made. Upon investigation, four other fines were identified within costs submitted for reimbursement.

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QUESTIONED COSTS (continued)

Recommendation: The entity program staff, and management should review the allowable cost guidance available. The entity could further invest in the resources required to develop the administrative staff knowledge through additional education in the area of Federal awards compliance.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-006: Cash Management Reimbursement Request

CFDA number: 10.568

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

Pass-through entity: California Department of Social Services

Federal Sponsor
Award Number: 18-MOU-06006

Award year: 2018-2019

Type of finding: Non-compliance

Condition: In testing the entity's compliance with Federal cash management regulations, we tested 60 transactions totaling \$125,915. We identified three transactions for which the check was not written prior to the submitting the request for reimbursement totaling \$1,981. Management uses accrual accounting to maintain the general ledger and to prepare the reports, as such, transactions (which had been incurred and therefore accrued at the end of the quarterly request period, but for which no payment had been made) were included in the population of costs for a request for the administrative reimbursement would be made. Of these costs identified - one was related to the Finding 2019-005. There was no other indication that the costs were not allowable.

Recommendation: The entity program staff and management should prepare the reimbursement requests on the cash basis of accounting to ensure that only transactions for which payment has been made will be included in the request.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-007: Procurement Policy

CFDA number: 10.568

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

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SECTION V - SUMMARY OF PRIOR AUDIT FEDERAL AWARD FINDINGS AND
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Pass-through entity: California Department of Social Services

Federal Sponsor
Award Number: 18-MOU-06006

Award year: 2018-2019

Type of finding: Significant Deficiency in Internal Controls over Compliance over a compliance requirement that is not direct and material

Condition: In attempting to test the entity's compliance with its documented policy and the procurement standards, it was determined that the entity does not have a documented policy. Management has a process for procurement which has not been documented.

Recommendation: The entity program staff and management should complete the process of documenting and implementing the procurement standards.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-008: Special Provisions - Time Study

CFDA number: 10.568

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

Pass-through entity: California Department of Social Services

Federal Sponsor
Award Number: 18-MOU-06006

Award year: 2018-2019

Type of finding: Non-compliance

Condition: In testing the entity's compliance with the time study requirement, it was determined that FIND has not performed such a study. An independent allocation by FIND for the purpose of a separate government program has been performed for the non-warehouse staff and has been applied during the year in order to allocate the costs of the staff salaries into the pool from which reimbursement will be requested. This time study did not meet the requirements of the TEFAP study.

Recommendation: The entity program staff and management should review the allowable cost guidance available and integrate the time studies required by the programs to the extent possible.

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SECTION V - SUMMARY OF PRIOR AUDIT FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS (continued)

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-009: Documentation of Eligibility for Clients

CFDA number: 10.569

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

Pass-through entity: California Department of Social Services

Federal Sponsor
Award Number: 18-MOU-06006

Award year: 2018-2019

Type of finding: Non-compliance

Condition: In testing the entity's compliance with the requirement to retain EFA-7 forms from FIND's distributions and to obtain these forms from member agencies, we tested 60 distribution dates. Of these dates, we identified three instances where the proper forms had not been sent to FIND, and which FIND had not detected the failure of the entity to provide the forms. For each of these instances, the agency had provided the monthly reporting cover page with the summary data, but did not provide the detailed EFA-7 forms in the email. The three instances are related to forms from two member agencies. To ensure that member agencies are in compliance with all requirements, FIND's policy is that the completed EFA-7 forms need to be provided in addition to being maintained by the agency.

Recommendation: The entity program staff should implement a system of tracking, validating and reviewing the required EFA-7 forms and submissions and ensure the reviews are conducted on all agencies on a regular basis.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-010: Time Sheet Approval Control

CFDA number: 10.568

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

Pass-through entity: California Department of Social Services

Federal Sponsor
Award Number: 18-MOU-06006

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SECTION V - SUMMARY OF PRIOR AUDIT FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS (continued)

Award year: 2018-2019

Type of finding: Significant Deficiency in Internal Controls over Compliance

Condition: In testing the entity's control over timesheets, we tested 60 timesheets for hourly employees whose salaries are included in the population of costs submitted for approval.

We identified three timesheets who were not approved by the individual's supervisor and which were not identified as unapproved by the director of finance who is responsible for processing payroll. Two of these timesheets were to be approved by the director of finance and one was to be approved by the director of operations. No evidence was noted that indicated the costs were not appropriate to the award.

Recommendation: The entity should implement a system through which all timesheets will be approved for each pay period and for which there is less chance of human error.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-011: Controls Over Distributions of USDA Foodstuffs

CFDA number: 10.569

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

Pass-through entity: California Department of Social Services

Federal Sponsor
Award Number: 18-MOU-06006

Award year: 2018-2019

Type of finding: Significant Deficiency in Internal Controls over Compliance

Condition: In testing the entity's control over distributions of USDA foods, we tested 50 distribution transactions to obtain the evidence that the agency approved the items distributed which helps FIND to ensure the accuracy of its records. We identified four invoices for which no approval had been obtained. The invoices are obtained by the warehouse staff and entered into QuickBooks by an administrative staff member. No evidence was noted that indicated the distributions were inaccurate or objected to by the recipient agencies.

Recommendation: The entity should implement a secondary review to ensure that the invoices approved by the agencies are obtained.

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SECTION V - SUMMARY OF PRIOR AUDIT FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS (continued)

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.

Finding number: 2019-012: Controls Over Receipts of USDA Foodstuffs

CFDA number: 10.569

Federal program: Food Distribution Cluster

Federal agency: United States Department of Agriculture (USDA)

Pass-through entity: California Department of Social Services

Federal Sponsor
Award Number: 18-MOU-06006

Award year: 2018-2019

Type of finding: Significant Deficiency in Internal Controls over Compliance

Condition: In testing the entity's control over receipts of USDA foods, we tested 17 receipt transactions to obtain the evidence that FIND completed the product inspection sheets as required by the inventory procedures. We identified 10 sheets which were either not completed accurately or not fully completed. The inspection sheets are expected to be completed by warehouse staff as record of the review and acceptance of the food stuffs received by FIND.

Recommendation: The entity should implement a secondary review to ensure that the inspection sheets are completed properly.

Current Status: This finding was corrected during the year ended June 30, 2020. No similar findings were noted during the year ended June 30, 2020.