

**Food in Need of Distribution, Inc.**

dba FIND Food Bank

Financial Statements  
and Single Audit Reports and Schedules

June 30, 2022

(With Comparative Totals for 2021)



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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

### **Opinion**

We have audited the accompanying financial statements of Food in Need of Distribution, Inc. (a California nonprofit corporation) dba FIND Food Bank ("FIND"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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, 2022, 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.

### **Basis for Opinion**

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

### **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FIND's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FIND's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FIND's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Supplementary Information**

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 March 31, 2023, 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**

We have previously audited FIND dba FIND Food Bank's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Jose, California

March 31, 2023

Food in Need of Distribution, Inc.  
dba FIND Food Bank  
Statement of Financial Position  
June 30, 2022  
(With Comparative Totals for 2021)

|   | 2022          | 2021          |
|---|---------------|---------------|
| <b>ASSETS</b>                                     |               |               |
| Current assets                                    |               |               |
| Cash and cash equivalents                         | \$ 8,476,684  | \$ 7,636,142  |
| Agency receivables                                | 21,208        | 11,780        |
| Grants and contributions receivable               | 575,484       | 474,874       |
| Inventory   | 1,858,929     | 3,644,058     |
| Prepays and other current assets                  | 74,583        | 69,456        |
| Total current assets                              | 11,006,888    | 11,836,310    |
| Non-current assets                                |               |               |
| Property and equipment, net                       | 7,584,562     | 7,221,029     |
| Deposits  | 1,500         | 1,500         |
| Total non-current assets                          | 7,586,062     | 7,222,529     |
| Total assets                                      | \$ 18,592,950 | \$ 19,058,839 |
| <b>LIABILITIES AND NET ASSETS</b>                 |               |               |
| Current liabilities                               |               |               |
| Accounts payable and accrued expenses             | \$ 218,587    | \$ 242,864    |
| Paycheck Protection Program forgivable loan       | -             | 224,945       |
| Note payable, current portion                     | 70,710        | 70,709        |
| Capital lease obligations, current portion        | 18,133        | -             |
| Total current liabilities                         | 307,430       | 538,518       |
| Long-term liabilities                             |               |               |
| Note payable, net of current portion              | 909,403       | 980,113       |
| Capital lease obligations, net of current portion | 21,099        | 15,828        |
| Total long-term liabilities                       | 930,502       | 995,941       |
| Total liabilities                                 | 1,237,932     | 1,534,459     |
| Net assets  |               |               |
| Without donor restrictions                        |               |               |
| Undesignated                                      | 3,294,760     | 3,044,351     |
| Board designated - operating reserve              | 2,000,000     | 1,000,000     |
| Board designated - disaster reserve               | 1,000,000     | 1,000,000     |
| Board designated - capital reserve                | 1,000,000     | 1,000,000     |
| Inventory   | 1,858,929     | 3,644,058     |
| Property and equipment, net                       | 7,584,562     | 7,221,029     |
| Total without donor restrictions                  | 16,738,251    | 16,909,438    |
| With donor restrictions                           | 616,767       | 614,942       |
| Total net assets                                  | 17,355,018    | 17,524,380    |
| Total liabilities and net assets                  | \$ 18,592,950 | \$ 19,058,839 |

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, 2022  
(With Comparative Totals for 2021)

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>2022<br/>Total</u> | <u>2021<br/>Total</u> |
|---|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| Support and revenue                             |                                       |                                    |                       |                       |
| Contributions in-kind food - non-government     | \$ 25,391,561                         | \$ -                               | \$ 25,391,561         | \$ 31,830,662         |
| Government support - in-kind food               | 10,487,929                            | -                                  | 10,487,929            | 17,220,073            |
| Grants and contributions                        | 3,181,873                             | 763,553                            | 3,945,426             | 5,098,657             |
| Government support                              | 2,050,618                             | -                                  | 2,050,618             | 4,124,634             |
| Forgiveness of Paycheck Protection Program loan | 224,945                               | -                                  | 224,945               | -                     |
| Special events                                  | 208,221                               | -                                  | 208,221               | 630,543               |
| Other income                                    | 63,116                                | -                                  | 63,116                | 43,980                |
| Contribution of in-kind land                    | -                                     | -                                  | -                     | 1,955,000             |
| Net assets released from restriction            | <u>761,728</u>                        | <u>(761,728)</u>                   | <u>-</u>              | <u>-</u>              |
| Total support and revenue                       | <u>42,369,991</u>                     | <u>1,825</u>                       | <u>42,371,816</u>     | <u>60,903,549</u>     |
| Functional expenses                             |                                       |                                    |                       |                       |
| Program services                                | 41,222,417                            |                                    | 41,222,417            | 52,064,679            |
| Support services                                |                                       |                                    |                       |                       |
| Management and general                          | 709,569                               | -                                  | 709,569               | 446,987               |
| Fundraising                                     | <u>609,192</u>                        | <u>-</u>                           | <u>609,192</u>        | <u>551,807</u>        |
| Total support services                          | <u>1,318,761</u>                      | <u>-</u>                           | <u>1,318,761</u>      | <u>998,794</u>        |
| Total functional expenses                       | <u>42,541,178</u>                     | <u>-</u>                           | <u>42,541,178</u>     | <u>53,063,473</u>     |
| Change in net assets (Note 3)                   | (171,187)                             | 1,825                              | (169,362)             | 7,840,076             |
| Net assets, beginning of year                   | <u>16,909,438</u>                     | <u>614,942</u>                     | <u>17,524,380</u>     | <u>9,684,304</u>      |
| Net assets, end of year                         | <u>\$ 16,738,251</u>                  | <u>\$ 616,767</u>                  | <u>\$ 17,355,018</u>  | <u>\$ 17,524,380</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, 2022  
(With Comparative Totals for 2021)

|   | Program<br>Services  | Support Services          |                   | 2022<br>Total        | 2021<br>Total        |
|---|----------------------|---------------------------|-------------------|----------------------|----------------------|
|   |                      | Management<br>and General | Fundraising       |                      |                      |
| Personnel expenses                      |                      |                           |                   |                      |                      |
| Salaries and wages                      | \$ 1,043,807         | \$ 380,279                | \$ 277,777        | \$ 1,701,863         | \$ 1,446,247         |
| Employee benefits                       | 138,586              | 42,487                    | 24,826            | 205,899              | 399,720              |
| Payroll taxes                           | 82,007               | 36,010                    | 22,928            | 140,945              | 133,771              |
| Total personnel expenses                | <u>1,264,400</u>     | <u>458,776</u>            | <u>325,531</u>    | <u>2,048,707</u>     | <u>1,979,738</u>     |
| Donated food and supplies distributed   | 37,788,469           | -                         | -                 | 37,788,469           | 46,658,299           |
| Purchased food and supplies distributed | 652,141              | -                         | -                 | 652,141              | 2,150,220            |
| Depreciation                            | 356,991              | 44,624                    | 44,624            | 446,239              | 400,547              |
| Shipping and freight                    | 297,355              | -                         | -                 | 297,355              | 259,203              |
| Direct mail and advertising             | 15,318               | 3,014                     | 193,649           | 211,981              | 173,992              |
| Occupancy costs                         | 195,743              | 3,793                     | -                 | 199,536              | 198,770              |
| Transportation and vehicles             | 184,194              | 1,886                     | 71                | 186,151              | 213,318              |
| Telephone and computers                 | 119,076              | 11,312                    | 6,522             | 136,910              | 78,987               |
| Professional services                   | 44,608               | 66,820                    | 5,995             | 117,423              | 59,730               |
| Repairs and maintenance                 | 93,746               | 474                       | 254               | 94,474               | 82,921               |
| Contract labor                          | 3,643                | 80,006                    | 6,600             | 90,249               | 33,089               |
| Insurance                               | 56,875               | 2,300                     | -                 | 59,175               | 50,005               |
| Interest                                | 46,998               | -                         | -                 | 46,998               | 50,180               |
| Travel and meeting expenses             | 21,160               | 17,359                    | 2,150             | 40,669               | 35,443               |
| Supplies and materials                  | 36,135               | -                         | -                 | 36,135               | 537,442              |
| Office expenses                         | 18,861               | 9,422                     | 3,034             | 31,317               | 40,353               |
| Member fees                             | 26,050               | 2,964                     | -                 | 29,014               | 24,067               |
| Bank charges and other fees             | 654                  | 6,819                     | 20,762            | 28,235               | 37,169               |
|   | <u>\$ 41,222,417</u> | <u>\$ 709,569</u>         | <u>\$ 609,192</u> | <u>\$ 42,541,178</u> | <u>\$ 53,063,473</u> |
| Percentage of total                     | <u>96.9 %</u>        | <u>1.7 %</u>              | <u>1.4 %</u>      | <u>4.8 %</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, 2022  
(With Comparative Totals for 2021)

|  | 2022         | 2021         |
|--|--------------|--------------|
| Cash flows from operating activities   |              |              |
| Change in net assets   | \$ (169,362) | \$ 7,840,076 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |              |              |
| Depreciation   | 446,239      | 400,547      |
| Forgiveness of Paycheck Protection Program loan  | (224,945)    | -            |
| In-kind contributions of food (including government)                                       | (35,879,490) | (49,050,735) |
| Distribution of food received in-kind  | 37,788,469   | 46,658,299   |
| Contribution of in-kind land   | -            | (1,955,000)  |
| Changes in operating assets and liabilities  |              |              |
| Agency receivables   | (9,428)      | 41,558       |
| Grants and contributions receivable  | (100,610)    | (51,491)     |
| Inventory  | (123,850)    | -            |
| Prepays and other current assets   | (5,127)      | 173,173      |
| Accounts payable and accrued expenses  | (24,277)     | 32,703       |
| Net cash provided by operating activities  | 1,697,619    | 4,089,130    |
| Cash flows from investing activities   |              |              |
| Purchase of property and equipment   | (780,519)    | (984,556)    |
| Net cash used in investing activities  | (780,519)    | (984,556)    |
| Cash flows from financing activities   |              |              |
| Principal payments on capital lease obligations  | (5,849)      | (2,324)      |
| Principal payments on note payable   | (70,709)     | (67,528)     |
| Net cash used in financing activities  | (76,558)     | (69,852)     |
| Net increase in cash and cash equivalents  | 840,542      | 3,034,722    |
| Cash and cash equivalents, beginning of year   | 7,636,142    | 4,601,420    |
| Cash and cash equivalents, end of year   | \$ 8,476,684 | \$ 7,636,142 |

Supplemental disclosure of cash flow information

|  |           |           |
|--|-----------|-----------|
| Cash paid during the year for interest | \$ 46,998 | \$ 50,180 |
|--|-----------|-----------|

Supplemental schedule of noncash investing and financing activities

|  |           |      |
|--|-----------|------|
| Purchase of property and equipment under capital lease obligations | \$ 29,253 | \$ - |
|--|-----------|------|

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, 2022  
(With Comparative Totals for 2021)

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 150,000 people each month. FIND mobilizes individuals, companies and community partners to equitably connect people to the nutritious food they need. Over 25% 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 its 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 United States Department of the Treasury ("USDT"); and the California Association of Food Banks' Farm to Family Program, which provides large volumes of fresh fruits 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 (under the Supplemental Nutrition Assistance Program ("SNAP")) were able to obtain over a 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 over 20 million meals to the community in one year.

Food in Need of Distribution, Inc.  
dba FIND Food Bank  
Notes to Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

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 40 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 30% 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.
- *Home Delivery Program* - Many older adults are homebound due to inability to drive, lack of transportation, or the inability to travel by themselves. To ensure these seniors receive the proper nutrition necessary for a healthier life, FIND Food Bank Client Services team members conduct an intake, determine eligibility, and then, deliver a food box to qualifying older adults.

Food in Need of Distribution, Inc.  
dba FIND Food Bank  
Notes to Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

2. PROGRAM SERVICES (continued)

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.

- *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.
- *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, 2021, 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 raised during the year ended June 30, 2021 will likely be used in these future years to address the ongoing need to provide hunger relief services to the community.

Food in Need of Distribution, Inc.  
dba FIND Food Bank  
Notes to Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

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 over which the Board of Directors has discretionary control in carrying out the operations of FIND. Under this category, FIND maintains the operating reserve fund, the disaster reserve fund, and the capital reserve fund.
- *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.

Change in accounting principle

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

The adoption of ASU 2020-07 did not have a significant impact on FIND's financial position, results of operations, or cash flows. FIND has updated disclosures as necessary (See Note 11).

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, 2021 from which the summarized information was derived.

Food in Need of Distribution, Inc.  
dba FIND Food Bank  
Notes to Financial Statements  
June 30, 2022  
(With Comparative Totals for 2021)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

FIND considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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, United States Department of Agriculture ("USDA") and United States Department of the Treasury ("USDT") commodities received from the government. Donated non-government products were valued at \$1.92 and \$1.70 per pound for the years ended June 30, 2022 and 2021, respectively. This valuation is based on a cost study conducted for Feeding America. USDA and USDT commodities received during the fiscal years ended June 30, 2022 and 2021 were valued at \$1.53 and \$1.70 per pound, respectively. Purchased food approximates actual cost and is valued utilizing first in, first out ("FIFO") method. Product purchased during the fiscal year ended June 30, 2022 and 2021, was valued at cost and averaged \$0.75 and \$0.78 per pound, respectively. For valuation purposes, all donated food, non-food items, and USDA and USDT 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.

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dba FIND Food Bank  
Notes to Financial Statements  
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect 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 and USDT 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 39 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and promises to give (continued)

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.

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 contains barriers related to incurrence of qualifying expenditures and a right of return or release. FIND has elected the simultaneous release option to account for these grants. Therefore, they are recorded as government assistance without donor restrictions upon satisfaction of the barriers. 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.

Contributions in-kind

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. FIND also receives donated services that do not require specific expertise but which are nonetheless central to FIND's operations. While these contributed services are not reflected in the financial statements, the estimated value of these services is disclosed in Note 11.

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, 2022 and 2021 totaled \$27,147 and \$24,204, respectively.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 31, 2023, 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:

|  | 2022         | 2021         |
|--|--------------|--------------|
| Donated non-government food and supplies | \$ 1,096,786 | \$ 645,672   |
| Government food commodities and supplies | 574,658      | 1,906,183    |
| Purchased food                           | 153,059      | 977,048      |
| Produce                                  | 34,426       | 115,155      |
|  | \$ 1,858,929 | \$ 3,644,058 |

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6. PROPERTY AND EQUIPMENT

On September 3, 2009, 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, 2022:

|  |   |
|--|---|
| 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>2022</u>         | <u>2021</u>         |
|--------------------------|---------------------|---------------------|
| Buildings                | \$ 4,681,891        | \$ 4,681,893        |
| Land                     | 2,531,970           | 2,531,970           |
| Equipment                | 1,788,107           | 1,697,548           |
| Vehicles                 | 1,529,565           | 1,496,312           |
| Solar System             | 583,988             | -                   |
| Building improvements    | 195,870             | 108,541             |
| Computer equipment       | 117,840             | 117,795             |
| Construction in progress | <u>14,600</u>       | <u>-</u>            |
|                          | 11,443,831          | 10,634,059          |
| Accumulated depreciation | <u>(3,859,269)</u>  | <u>(3,413,030)</u>  |
|                          | <u>\$ 7,584,562</u> | <u>\$ 7,221,029</u> |

Depreciation expense for the years ended June 30, 2022 and 2021 totaled \$446,239 and \$400,547, respectively.

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7. NOTE PAYABLE

On November 2017, FIND entered into a \$1,272,360 mortgage loan agreement with Bank of America. The 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 loan 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, 2022 and 2021.

The future maturities of the note payable are as follows:

| <u>Year ending June 30,</u> |                          |
|-----------------------------|--------------------------|
| 2023                        | \$ 74,041                |
| 2024                        | 77,421                   |
| 2025                        | <u>828,651</u>           |
|                             | 980,113                  |
| Current portion             | <u>(70,710)</u>          |
|                             | <u><u>\$ 909,403</u></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 United States 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.

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8. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN (continued)

FIND used all loan proceeds to partially subsidize payroll expenses and eligible nonpayroll expenses. As of June 30, 2021, the PPP loan is recognized as Paycheck Protection Program forgivable loan on the statement of financial position. FIND submitted a forgiveness application during year ending June 30, 2021. In August 2021, FIND received forgiveness on the PPP proceeds of \$224,945 from the SBA, resulting in recognition of the entire amount as forgiven PPP loan during the year ended June 30, 2022 in the accompanying financial statements.

9. BOARD DESIGNATED NET ASSETS

As part of FIND's annual review of designated assets, the Board adopted specific guidelines for establishing the level of each designation as follows:

*Operating reserve* - These reserves are commonly held by nonprofit organizations and food banks for unexpected events. The reserved amount is sufficient to maintain ongoing operations and programs - allowing FIND to continue food distribution services for a period of 6 months based on its current average monthly expense rate of approximately \$305,000.

*Disaster reserve* - FIND is a disaster response food bank for the State of California and Riverside County, ensuring that people affected by a disaster have access to food until recovery is established. As such, it is critical that disaster response funds are reserved allowing FIND to quickly respond to disasters until further funds can be raised to support efforts.

*Capital reserve* - These reserve funds are commonly held by food banks as part of business continuity planning because of the vast nature of facilities, equipment and fleet required to provide food distribution services to the community. The fund will allow FIND to quickly replace, repair or expand capital items to ensure that there is no interruption of daily operations, which could dramatically affect people who are food insecure.

Board designated net assets consisted of the following:

|                   | 2022         | 2021         |
|-------------------|--------------|--------------|
| Operating reserve | \$ 2,000,000 | \$ 1,000,000 |
| Disaster reserve  | 1,000,000    | 1,000,000    |
| Capital reserve   | 1,000,000    | 1,000,000    |
|                   | \$ 4,000,000 | \$ 3,000,000 |

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

|                                    | <u>2022</u>       | <u>2021</u>       |
|------------------------------------|-------------------|-------------------|
| Community mobile markets           | \$ 365,000        | \$ 160,000        |
| Senior hunger                      | 150,000           | -                 |
| Building fund                      | 24,573            | 24,574            |
| Healthy food purchasing            | 77,194            | 22,340            |
| Disaster response and recovery     | -                 | 106,954           |
| Health and nutrition               | -                 | 65,000            |
| CalFresh outreach                  | -                 | 55,000            |
| Community health workers program   | -                 | 51,681            |
| Child hunger                       | -                 | 47,479            |
| Farmworker equitable food access   | -                 | 41,550            |
| Emergency food and shelter program | -                 | 40,364            |
|                                    | <u>\$ 616,767</u> | <u>\$ 614,942</u> |

Net assets with donor restrictions released from restriction during the year ended June 30, 2022 were as follows:

|                                    |                   |
|------------------------------------|-------------------|
| Community mobile markets           | \$ 180,000        |
| Disaster response and recovery     | 106,954           |
| Health and nutrition               | 215,560           |
| CalFresh outreach                  | 55,000            |
| Community health workers program   | 51,681            |
| Child hunger                       | 47,479            |
| Farmworker equitable food access   | 41,550            |
| Emergency food and shelter program | 40,364            |
| Healthy food purchasing            | <u>23,140</u>     |
|                                    | <u>\$ 761,728</u> |

FIND had no net assets subject to restrictions in perpetuity as of June 30, 2022 and 2021.

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11. CONTRIBUTIONS IN-KIND

Donated non-government products were valued at \$1.92 and \$1.70 per pound for the years ended June 30, 2022 and 2021, respectively. Donated government food was valued at \$1.53 and \$1.70 per pound for the years ended June 30, 2022 and 2021, respectively. This valuation is based on a cost study conducted for Feeding America. In valuing the donated land, which consists of six parcels of vacant land located in City of Indio, Riverside County, California, FIND estimated the fair value on the basis of recent comparable sales prices in the Riverside County's real estate market based on an appraisal report performed by an independent third party.

Contributions in-kind consisted of the following:

|                             | 2022          | 2021          |
|-----------------------------|---------------|---------------|
| Non-government in-kind food | \$ 25,391,561 | \$ 31,830,662 |
| Government in-kind food     | 10,487,929    | 17,220,073    |
| Land                        | -             | 1,955,000     |
|                             | \$ 35,879,490 | \$ 51,005,735 |

FIND also receives donated services that do not require specific expertise but which are nonetheless central to FIND's operations. During the years ended June 30, 2022 and 2021, FIND received 12,654 and 16,368 hours of volunteer time, respectively. The estimated value of these services for the years ended June 30, 2022 and 2021, respectively, based on the estimated dollar value of volunteer time calculated by Independent Sector, amounts to \$449,973 and \$550,128, respectively. The value of these services is not reflected in the financial statements.

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, 2022.

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.  
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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. The members of the Board of Directors are required to submit an annual disclosure regarding any conflicts of interest. 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 Board position.

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, 2022. 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, consisted of the following:

|   | 2022         | 2021         |
|---|--------------|--------------|
| Available financial assets:                                       |              |              |
| Cash and cash equivalents   | \$ 8,476,684 | \$ 7,636,142 |
| Agency receivables  | 21,208       | 11,780       |
| Grants and contributions receivable                               | 575,484      | 474,874      |
|   | 9,073,376    | 8,122,796    |
| Less amounts unavailable for general expenditure within one year: |              |              |
| Board designated - disaster reserve                               | (1,000,000)  | (1,000,000)  |
| Board designated - capital reserve                                | (1,000,000)  | (1,000,000)  |
| Net assets restricted for specified purposes                      | (616,767)    | (614,942)    |
|   | \$ 6,456,609 | \$ 5,507,854 |

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. (a California nonprofit corporation) dba FIND Food Bank ("FIND"), which comprise the statement of financial position as of June 30, 2022, 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 March 31, 2023.

### **Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

## **Report on 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 financial statements. 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<sup>LLP</sup>  
San Jose, California

March 31, 2023

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**

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

We have audited Food in Need of Distribution, Inc. (a California nonprofit corporation) dba FIND Food Bank ("FIND")'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. FIND's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

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

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of FIND and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of FIND's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to FIND's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on FIND's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about FIND's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding FIND's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of FIND's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 FIND's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Jose, California

March 31, 2023

Food in Need of Distribution, Inc.  
dba FIND Food Bank  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title                            | Federal<br>Assistance<br>Listing<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Total Federal<br>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-06006                                    | \$ 9,013,228                  |
| Emergency Food Assistance Program (Administrative Costs)                                     | 10.568                                     | 18-MOU-06006                                    | 729,313                       |
| Emergency Food Assistance Program (CARES)  | 10.568                                     | 18-MOU-06006                                    | <u>1,165,142</u>              |
| Total Food Distribution Cluster  |  |   | <u>10,907,683</u>             |
| California Association of Food Banks   |  |   |                               |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program       | 10.561                                     | 18-7013   | <u>129,151</u>                |
| Total U.S. Department of Agriculture   |  |   | <u>11,036,834</u>             |
| U.S. Department of the Treasury  |  |   |                               |
| Passed through   |  |   |                               |
| California Department of Social Services   |  |   |                               |
| Coronavirus Relief Fund (Food Commodities)   | 21.019                                     | 18-MOU-06006                                    | 2,323,389                     |
| County of Riverside  |  |   |                               |
| U.S. Department of Homeland Security-Federal Emergency Management Agency                     |  |   |                               |
| Passed through   |  |   |                               |
| Riverside County Department of Social Services Homelessness Program Unit                     |  |   |                               |
| Emergency Food and Shelter National Board Program - Phase 38 Administrative Costs District 4 | 97.024                                     | LRO 082000-009                                  | 32,877                        |
| Emergency Food and Shelter National Board Program - Phase 38 Administrative Costs District 5 | 97.024                                     | LRO 082000-009                                  | <u>22,378</u>                 |
| Total U.S. Department of Homeland Security-Federal Emergency Management Agency               |  |   | <u>55,255</u>                 |
| U.S. Department of Housing and Urban Development   |  |   |                               |
| Community Development Block Grants/Entitlement Grants  |  |   |                               |
| Passed through   |  |   |                               |
| City of Indio  | 14.218                                     | N/A   | 23,550                        |
| Morongo Basin Healthcare District  | 14.218                                     | N/A   | <u>20,488</u>                 |
| Total U.S. Department of Housing and Urban Development                                       |  |   | <u>44,038</u>                 |
| Total Expenditures of Federal Awards   |  |   | <u>\$ 13,459,516</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, 2022

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. (a California nonprofit corporation) dba FIND Food Bank ("FIND") under programs of the federal government for the year ended June 30, 2022. 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") and the U.S. Department of the Treasury ("USDT") 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, 2022, FIND had USDA food commodities totaling \$429,920 and USDT food commodities totaling \$143,962 in inventory.

4. INDIRECT COSTS

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

5. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, FIND provided federal awards to Subrecipients as follows:

| <u>Federal Assistance<br/>Listing Number</u> | <u>Program Name</u>                                     | <u>Amount Provided to<br/>Subrecipients</u> |
|--|---|---|
| 10.569                                       | Emergency Food Assistance Program<br>(Food Commodities) | \$6,037,885                                 |

Food in Need of Distribution, Inc.  
 dba FIND Food Bank  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2022

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>Federal Assistance Listing 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?                                  | Yes                                      |



Food in Need of Distribution, Inc.  
dba FIND Food Bank  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

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, 2022

SECTION IV - SUMMARY OF PRIOR AUDIT FINANCIAL STATEMENT FINDINGS

There were no prior year findings.