

Audited Financial Statements



WESTSIDE
FOOD BANK

June 30, 2016

Quigley & Miron

Westside Food Bank
Audited Financial Statements
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Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors
Westside Food Bank
Santa Monica, California

We have audited the accompanying financial statements of Westside Food Bank (WSFB), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, 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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

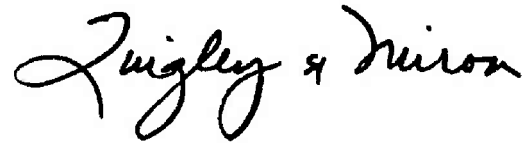
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westside Food Bank as of June 30, 2016, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Westside Food Bank's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Los Angeles, California
January 19, 2017

A handwritten signature in black ink that reads "Zwigley & Miron". The signature is written in a cursive, flowing style.

Westside Food Bank
Statement of Financial Position
June 30, 2016
(with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 759,571	\$ 436,251
Certificates of deposit	212,383	211,526
Investments—Note 2	89,065	85,655
Contributions and grants receivable—Note 4	250,520	241,083
Prepaid expenses and other assets	24,752	23,276
Equipment, net—Note 5	7,389	1,307
Deposits	8,182	8,182
Total Assets	<u>\$ 1,351,862</u>	<u>\$ 1,007,280</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 62,742	\$ 54,791
Total Liabilities	62,742	54,791
Commitments and Contingencies—Notes 6 and 7		
Net Assets		
Unrestricted		
Undesignated	887,641	772,923
Board-designated reserve—Note 8	111,167	111,066
Total Unrestricted	998,808	883,989
Temporarily restricted—Note 9	290,312	68,500
Total Net Assets	<u>1,289,120</u>	<u>952,489</u>
Total Liabilities and Net Assets	<u>\$ 1,351,862</u>	<u>\$ 1,007,280</u>

See notes to financial statements.

Westside Food Bank
Statement of Activities
Year Ended June 30, 2016
(with comparative totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Support				
Contributions	\$ 633,352	\$	\$ 633,352	\$ 572,409
Agency fees	37,338		37,338	35,487
Fundraising event—Note 10	87,413		87,413	83,980
Grants				
Foundations	723,100	245,000	968,100	701,384
Federal Emergency Food and Shelter Program		224,482	224,482	218,595
City of Santa Monica	105,566		105,566	105,566
City of Beverly Hills	90,000		90,000	85,000
Total Support	1,676,769	469,482	2,146,251	1,802,421
Revenue				
Interest and dividend income	5,531		5,531	5,261
Investment gain (loss)	(791)		(791)	601
Total Revenue	4,740		4,740	5,862
Net assets released from restrictions	247,670	(247,670)		
Total Support, Revenue, and Net Assets Released from Restrictions	1,929,179	221,812	2,150,991	1,808,283
Expenses				
Program services	1,471,459		1,471,459	1,415,832
Supporting services				
Management and general	104,705		104,705	98,643
Fund development	238,196		238,196	206,201
Total Expenses	1,814,360		1,814,360	1,720,676
Change in Net Assets	114,819	221,812	336,631	87,607
Net Assets at Beginning of Year	883,989	68,500	952,489	864,882
Net Assets at End of Year	\$ 998,808	\$ 290,312	\$ 1,289,120	\$ 952,489

See notes to financial statements.

Westside Food Bank
Statement of Functional Expenses
Year Ended June 30, 2016
(with comparative totals for 2015)

Expenses	Supportive Services			2016 Total	2015 Total
	Program Services	Management and General	Fund Development		
Salaries	\$ 297,413	\$ 66,267	\$ 107,289	\$ 470,969	\$ 446,970
Payroll taxes	22,326	4,974	8,054	35,354	34,217
Employee benefits	58,398	13,012	21,066	92,476	91,283
Total Personnel Related	378,137	84,253	136,409	598,799	572,470
Advertising and promotional			8,733	8,733	7,975
Bank and processing fees		484	6,743	7,227	5,595
Depreciation	412	92	149	653	653
Dues and subscriptions	15,511	3,456	5,595	24,562	21,367
Food purchases	885,473			885,473	868,621
Insurance	3,054	681	1,102	4,837	4,837
Miscellaneous	6,824	1,232	1,258	9,314	8,622
Occupancy	125,883	10,546	7,909	144,338	131,070
Postage and mailing services	1,831	323	15,974	18,128	10,704
Printing and design services	1,314	232	45,887	47,433	31,032
Professional fees	6,631	1,477	2,392	10,500	10,000
Supplies	26,822	893	4,368	32,083	25,852
Telephone	4,650	1,036	1,677	7,363	6,815
Truck-related expenses	14,917			14,917	15,063
Total Non-Personnel Related	1,093,322	20,452	101,787	1,215,561	1,148,206
Total Expenses	\$ 1,471,459	\$ 104,705	\$ 238,196	\$ 1,814,360	\$ 1,720,676

See notes to financial statements.

Westside Food Bank
Statement of Cash Flows
Year Ended June 30, 2016
(with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 336,631	\$ 87,607
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	653	653
Donations of common stock	(5,984)	
Investment (gain) loss	791	(601)
(Increase) decrease in:		
Contributions and grants receivable	(9,437)	(108,210)
Prepaid expenses	(1,476)	1,542
Increase (decrease) in:		
Accounts payable and accrued expenses	7,951	(5,540)
Net Cash Provided by (Used in) Operating Activities	<u>329,129</u>	<u>(24,549)</u>
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(445,270)	(444,030)
Maturities of certificates of deposit	444,413	443,245
Purchases of investments	(4,193)	(4,033)
Proceeds from sale of donated common stock	5,976	
Purchases of equipment	(6,735)	
Net Cash Used in Investing Activities	<u>(5,809)</u>	<u>(4,818)</u>
Increase (Decrease) in Cash and Cash Equivalents	323,320	(29,367)
Cash and Cash Equivalents at Beginning of Year	<u>436,251</u>	<u>465,618</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 759,571</u></u>	<u><u>\$ 436,251</u></u>
Supplementary Disclosures		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cash paid for taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

Westside Food Bank
Notes to Financial Statements
June 30, 2016
(with comparative totals for 2015)

Note 1—Organization and Summary of Significant Accounting Policies

Organization—Westside Food Bank (WSFB), founded in 1981, is an independent, non-governmental, non-profit organization incorporated under the laws of the State of California. WSFB's mission is to distribute as much nutritious food as possible to local social service agencies with food assistance programs, and to reduce food waste on the Westside. Besides food donations, purchases and community sponsored food drives, WSFB also obtains food through its prepared and perishable food recovery program, Extra Helpings Westside. The more than 4.5 million pounds of food that WSFB distributes each year goes to low-income individuals, children and families via the services of more than 70 member agencies including: St. Joseph Center, People Assisting The Homeless (PATH), Food Pantry LAX, SOVA Community Food & Resource Program, OPCC, Step Up on Second, The Salvation Army, and several transitional living and vocational training programs for veterans, plus many other agencies. Member agencies are located in the area bounded by Mulholland Drive, La Brea Avenue, Imperial Highway and the Pacific Ocean. Many of WSFB's member agencies offer additional services including employment training, childcare, counseling, referrals, recovery programs, as well as parenting and money management classes to help clients become more economically independent. WSFB receives funds from concerned individuals, religious congregations, foundations, corporations, the cities of Santa Monica and Beverly Hills, and the Federal Government.

Financial Statement Presentation—WSFB recognizes contributions, including unconditional promises to give, as revenue in the period promised. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of WSFB and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of WSFB.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of WSFB and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit WSFB to use all or part of the income earned on related investments for general or specific purposes. At June 30, 2016 and 2015, WSFB had no permanently restricted net assets.

Income Taxes—WSFB is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Accordingly, no provision for income taxes is included in the financial statements. In addition, WSFB has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered 'more likely than not' to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2016 and 2015. Generally, the WSFB's information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Westside Food Bank

Notes To Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Cash and Cash Equivalents—WSFB considers all highly liquid investments with a maturity of one month or less when purchased to be cash equivalents.

Investments—Investments in securities are initially recorded at cost, if purchased, or fair market value, if received as a contribution. Subsequent to acquisition, investments in securities are reported at fair value. Investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses, net of investment management fees, are reported as increases or decreases in the appropriate net asset category.

Equipment—Certain items of equipment have been donated to WSFB. To the extent a fair market value could be determined for these items as of the date of donation, the fair market value has been recorded for financial statement purposes. Items purchased have been recorded at cost. It is WSFB's policy to expense items purchased or donated with values less than \$2,000. Equipment is depreciated on a straight-line basis over its estimated useful life, ranging from 3 to 5 years.

Food Inventory—Due to rapid turnover and the short-term nature of food storage, food inventory is not recorded by WSFB.

Concentration of Credit Risk—Financial instruments which potentially subject WSFB to concentrations of credit risk consist of cash and cash equivalents, certificates of deposit, investments, and contributions receivable.

WSFB places its cash, cash equivalents and certificates of deposit with financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash balances of WSFB did not exceed the FDIC limit at June 30, 2016.

Cash held in investment accounts at investment custodians is insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000. Management regularly reviews the financial stability of its allocation of investments and deems the risk of loss due to these concentrations to be minimal.

Contributions and grants receivable at June 30, 2016 are due from private foundations, government agencies, and individuals and organizations well-known to WSFB, with favorable past payment histories. Management of WSFB has assessed the credit risk associated with these contributions and grants receivable and has determined that an allowance for potential uncollectible amounts is not necessary.

Revenue Recognition—WSFB's revenue recognition policies are as follows:

Agency fees—Agency fees are recognized as revenue when received.

Fundraising event income—Income from fundraising events is recognized when received.

Government grants and contracts—Revenues from government grants and contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as contributions receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

Westside Food Bank

Notes To Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Donated Services—A substantial number of volunteers have donated a significant number of hours devoted to WSFB’s program services, management and general, and fundraising activities. However, these donated services are not reflected in the accompanying financial statements as they do not meet the criteria for recognition under current accounting standards.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Functional expenses have been allocated between program services, management and general, and fundraising expenses, based on an analysis of personnel time utilized for the related activities.

Comparative Totals for 2015—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with WSFB’s audited financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications—Certain amounts in 2015 have been reclassified to conform with the 2016 financial statement presentation.

Note 2—Investments

Investments at June 30, 2016 and 2015 consist of the following:

	<u>Cost Basis</u>	<u>Market Value</u>
June 30, 2016:		
Investment mutual fund	\$ 64,267	\$ 89,065
June 30, 2015:		
Investment mutual fund	\$ 60,074	\$ 85,655

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 4,193	\$ 4,033
Investment gain (loss)	(791)	601
Total Investment Return	\$ 3,402	\$ 4,634

Westside Food Bank

Notes To Financial Statements—Continued

Note 3—Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data. WSFB had no Level 2 assets or liabilities at June 30, 2016 and 2015.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. WSFB had no Level 3 assets or liabilities at June 30, 2016 and 2015.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety.

The estimated fair values of WSFB's short-term financial instruments, including receivables and payables arising in the ordinary course of operations, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Assets measured at fair value on a recurring basis consist of an investment mutual fund with a fair value of \$89,065 and \$85,655 at June 30, 2016 and 2015, respectively; the investment mutual fund is actively traded and, as such, is considered Level 1.

Note 4—Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Foundations	\$ 10,000	\$ 61,000
Government agencies	224,482	130,548
Individuals and local organizations	16,038	49,535
Totals	<u>\$ 250,520</u>	<u>\$ 241,083</u>

Westside Food Bank
Notes To Financial Statements—Continued

Note 5—Equipment, Net

Net equipment at June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 16,389	\$ 9,654
Truck and warehouse equipment	151,607	151,607
	<u>167,996</u>	<u>161,261</u>
Less accumulated depreciation	(160,607)	(159,954)
Net	<u>\$ 7,389</u>	<u>\$ 1,307</u>

Note 6—Commitments

WSFB occupies office and warehouse space under a noncancellable operating lease agreement (Agreement) which expires on April 30, 2019. Future minimum annual rental payments under the Agreement are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 121,000
2018	124,000
2019	<u>106,000</u>
Total	<u>\$ 351,000</u>

Rent expense totaled approximately \$117,000 and \$113,000 for the years ended June 30, 2016 and 2015, respectively.

Note 7—Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote since, by accepting the gifts and their terms, the Board is acknowledging the requirements of the grantor at the time of receipt of the grant.

Note 8—Board-Designated Reserve

The board-designated reserve consists of voluntary board-approved segregations of unrestricted net assets for specific purposes, projects or investments, and to provide funds to allow WSFB to operate effectively despite reductions or curtailment of portions of its funding in the future.

Westside Food Bank**Notes To Financial Statements—Continued****Note 9—Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Federal Emergency Food and Shelter Program	\$ 224,482	\$
Nutrition Initiative Project		7,500
Programmatic support from foundations for future periods	<u>65,830</u>	<u>61,000</u>
Totals	<u>\$ 290,312</u>	<u>\$ 68,500</u>

Note 10—Fundraising Event

WSFB's major fundraising event is an annual fall walk-a-thon. Besides raising money and community awareness for WSFB, this "Hunger Walk" provides a fundraising framework for agencies receiving WSFB's food. The net proceeds to WSFB from this event during the years ended June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Hunger Walk event income	\$ 87,413	\$ 83,980
Less related event expense	<u>(19,645)</u>	<u>(12,359)</u>
Net	<u>\$ 67,768</u>	<u>\$ 71,621</u>

The expenses related to the Hunger Walk event are captioned in the statement of functional expenses under "fund development," and consist of the following:

	<u>2016</u>	<u>2015</u>
Advertising and promotional	\$ 3,162	\$ 4,020
Miscellaneous	116	448
Postage and mailing services	5,028	1,875
Printing and design services	10,477	5,564
Supplies	<u>862</u>	<u>452</u>
Totals	<u>\$ 19,645</u>	<u>\$ 12,359</u>

Note 11—Retirement Plan

WSFB's 401(k) plan (the Plan) consists primarily of two components: (1) WSFB's matching 100% of employee contributions, up to 4% of annual salary and (2) employee deferred contributions to the Plan. Additionally, WSFB has the option to make additional non-elective contributions to the Plan in the form of profit-sharing. Employees are eligible to participate in the Plan immediately upon employment with no conditions of age or service required. Each participant may elect to contribute up to the maximum limit by federal law. Participants are vested immediately upon entering the Plan with 100% non-forfeatability of all employer matched contributions.

Westside Food Bank**Notes To Financial Statements—Continued****Note 11—Retirement Plan—Continued**

WSFB's matching contributions totaled \$16,301 and \$15,449, respectively, for the years ended June 30, 2016 and 2015. Expenses related to the Plan's administration totaled \$1,609 and \$1,457, respectively, for the years ended June 30, 2016 and 2015.

Note 12—Subsequent Events

Management evaluated all activities of Westside Food Bank through January 19, 2017, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.