

Audited Financial Statements



June 30, 2018

Quigley & Miron

Westside Food Bank
Audited Financial Statements
Table of Contents
June 30, 2018

Page
Number

Independent Auditor's Report..... 1

Audited Financial Statements

Statement of Financial Position..... 3

Statement of Activities 4

Statement of Functional Expenses..... 5

Statement of Cash Flows..... 6

Notes to Financial Statements..... 7

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Los Angeles, California
January 28, 2019

Westside Food Bank
Statement of Financial Position
June 30, 2018
(with comparative totals for 2017)

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 684,952 | \$ 874,539 |
| Certificates of deposit | 71,058 | 70,669 |
| Investments—Note 2 | 436,867 | 212,668 |
| Contributions and grants receivable—Note 4 | 249,298 | 244,075 |
| Prepaid expenses and other assets | 32,006 | 29,737 |
| Equipment, net—Note 5 | 27,124 | 34,461 |
| Deposits | 8,182 | 8,182 |
| Total Assets | <u>\$ 1,509,487</u> | <u>\$ 1,474,331</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 55,290 | \$ 57,494 |
| Total Liabilities | 55,290 | 57,494 |
| Commitments and Contingencies—Notes 6 and 7 | | |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 1,009,596 | 1,061,393 |
| Board-designated reserve—Note 8 | 111,369 | 111,369 |
| Total Unrestricted | 1,120,965 | 1,172,762 |
| Temporarily restricted—Note 9 | 333,232 | 244,075 |
| Total Net Assets | <u>1,454,197</u> | <u>1,416,837</u> |
| Total Liabilities and Net Assets | <u>\$ 1,509,487</u> | <u>\$ 1,474,331</u> |

See notes to financial statements.

Westside Food Bank
Statement of Activities
Year Ended June 30, 2018
(with comparative totals for 2017)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2018 Total</u> | <u>2017 Total</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| Support | | | | |
| Contributions | \$ 620,774 | \$ 5,535 | \$ 626,309 | \$ 667,314 |
| Agency fees | 34,457 | | 34,457 | 34,679 |
| Fundraising event—Note 10 | 114,078 | | 114,078 | 126,002 |
| Grants | | | | |
| Foundations | 732,281 | 167,000 | 899,281 | 846,805 |
| Federal Emergency Food and Shelter Program | | 162,697 | 162,697 | 184,075 |
| City of Santa Monica | 110,046 | | 110,046 | 107,677 |
| City of Beverly Hills | 100,000 | | 100,000 | 95,000 |
| Total Support | 1,711,636 | 335,232 | 2,046,868 | 2,061,552 |
| Revenue | | | | |
| Interest and dividend income | 14,708 | | 14,708 | 10,499 |
| Investment gain | 11,718 | | 11,718 | 15,260 |
| Total Revenue | 26,426 | | 26,426 | 25,759 |
| Net assets released from restrictions | 246,075 | (246,075) | | |
| Total Support, Revenue, and Net Assets Released from Restrictions | 1,984,137 | 89,157 | 2,073,294 | 2,087,311 |
| Expenses | | | | |
| Program services | 1,606,834 | | 1,606,834 | 1,584,625 |
| Supporting services | | | | |
| Management and general | 132,214 | | 132,214 | 122,354 |
| Fund development | 296,886 | | 296,886 | 252,615 |
| Total Expenses | 2,035,934 | | 2,035,934 | 1,959,594 |
| Change in Net Assets | (51,797) | 89,157 | 37,360 | 127,717 |
| Net Assets at Beginning of Year | 1,172,762 | 244,075 | 1,416,837 | 1,289,120 |
| Net Assets at End of Year | \$ 1,120,965 | \$ 333,232 | \$ 1,454,197 | \$ 1,416,837 |

See notes to financial statements.

Westside Food Bank
Statement of Functional Expenses
Year Ended June 30, 2018
(with comparative totals for 2017)

| Expenses | Program Services | Supporting Services | | 2018 Total | 2017 Total |
|--|---------------------|---------------------------|---------------------|---------------------|---------------------|
| | | Management and General | Fund Development | | |
| Salaries | \$ 326,458 | \$ 82,917 | \$ 135,683 | \$ 545,058 | \$ 514,855 |
| Payroll taxes | 24,716 | 6,179 | 10,299 | 41,194 | 38,898 |
| Employee benefits | 58,098 | 14,525 | 24,207 | 96,830 | 101,982 |
| Total Personnel Related | 409,272 | 103,621 | 170,189 | 683,082 | 655,735 |
| Advertising and promotional | | 575 | 13,521 | 14,096 | 10,380 |
| Bank and processing fees | | 1,581 | 7,484 | 9,065 | 7,893 |
| Depreciation | 4,402 | 1,101 | 1,834 | 7,337 | 2,877 |
| Dues and subscriptions | 9,892 | 3,645 | 11,289 | 24,826 | 22,771 |
| Food purchases | 975,724 | | | 975,724 | 957,665 |
| Insurance | 2,984 | 746 | 1,243 | 4,973 | 4,751 |
| Miscellaneous | 6,292 | 3,237 | 2,752 | 12,281 | 11,693 |
| Occupancy | 133,953 | 12,461 | 9,345 | 155,759 | 158,852 |
| Postage and mailing services | 1,243 | 220 | 13,861 | 15,324 | 12,449 |
| Printing and design services | 1,847 | 1,827 | 55,250 | 58,924 | 44,281 |
| Professional fees | 6,900 | 1,725 | 2,875 | 11,500 | 11,000 |
| Supplies | 35,249 | 832 | 6,172 | 42,253 | 37,397 |
| Telephone | 2,571 | 643 | 1,071 | 4,285 | 4,832 |
| Truck-related expenses | 16,505 | | | 16,505 | 17,018 |
| Total Non-Personnel Related | 1,197,562 | 28,593 | 126,697 | 1,352,852 | 1,303,859 |
| Total Expenses | \$ 1,606,834 | \$ 132,214 | \$ 296,886 | \$ 2,035,934 | \$ 1,959,594 |

See notes to financial statements.

Westside Food Bank
Statement of Cash Flows
Year Ended June 30, 2018
(with comparative totals for 2017)

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 37,360 | \$ 127,717 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 7,337 | 2,877 |
| Donations of common stock | (15,408) | (17,090) |
| Investment gain | (11,718) | (15,260) |
| (Increase) decrease in: | | |
| Contributions and grants receivable | (5,223) | 6,445 |
| Prepaid expenses and other assets | (2,269) | (4,985) |
| Decrease in: | | |
| Accounts payable and accrued expenses | (2,204) | (5,248) |
| Net Cash Provided by Operating Activities | <u>7,875</u> | <u>94,456</u> |
| Cash Flows from Investing Activities | | |
| Purchases of certificates of deposit | (142,159) | (174,099) |
| Maturities of certificates of deposit | 141,770 | 315,813 |
| Purchases of investments | (212,602) | (108,639) |
| Proceeds from sale of donated common stock | 15,529 | 17,386 |
| Purchases of equipment | | (29,949) |
| Net Cash Provided by (Used in) Investing Activities | <u>(197,462)</u> | <u>20,512</u> |
| Increase (Decrease) in Cash and Cash Equivalents | <u>(189,587)</u> | <u>114,968</u> |
| Cash and Cash Equivalents at Beginning of Year | <u>874,539</u> | <u>759,571</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 684,952</u> | <u>\$ 874,539</u> |
| Supplementary Disclosures | | |
| Cash paid for interest | <u>\$</u> | <u>\$</u> |
| Cash paid for taxes | <u>\$</u> | <u>\$</u> |

See notes to financial statements.

Westside Food Bank
Notes to Financial Statements
June 30, 2018
(with comparative totals for 2017)

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 end hunger in our communities by providing access to free nutritious food through food acquisition and distribution, and by engaging the community and advocating for a strong food assistance network. Besides food donations, purchases and community sponsored food drives; WSFB also obtains food through its prepared and perishable food recovery program, Extra Helpings Westside. Approximately 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, The People Concern/OPCC, Step Up on Second, The Salvation Army, several local colleges and a wide variety of veterans' programs. 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 donate, 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, 2018 and 2017, 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.

Westside Food Bank

Notes to Financial Statements—Continued

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

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, 2018 and 2017. Generally, 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.

Recently Adopted Accounting Principle—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share as a practical expedient. WSFB has adopted ASU 2015-07 for the year ended June 30, 2018, however, the retrospective approach requires that an investment for which fair value is measured using NAV as a practical expedient be removed from the fair value hierarchy in all periods presented in the financial statements.

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 individual 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, 2018.

Westside Food Bank

Notes to Financial Statements—Continued

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

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, 2018 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.

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 2017—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, 2017, from which the summarized information was derived.

Reclassifications—Certain amounts in 2017 have been reclassified to conform with the 2018 financial statement presentation.

Westside Food Bank**Notes to Financial Statements—Continued****Note 1—Organization and Summary of Significant Accounting Policies—Continued**

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.

Note 2—Investments

Investments at June 30, 2018 and 2017 consist of the following:

| | <u>Cost Basis</u> | <u>Market Value</u> |
|-----------------------|--------------------------|--------------------------|
| June 30, 2018: | | |
| Mutual funds | | |
| Large growth | \$ 186,473 | \$ 237,629 |
| Debt securities | | |
| U.S. Treasury bills | 199,035 | 199,238 |
| Totals | <u>\$ 385,508</u> | <u>\$ 436,867</u> |
| June 30, 2017: | | |
| Mutual funds | | |
| Large growth | | |
| Totals | <u>\$ 172,906</u> | <u>\$ 212,668</u> |

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|-------------------------|-------------------------|
| Interest and dividend income | \$ 13,662 | \$ 8,638 |
| Investment gain | 11,718 | 15,260 |
| Total Investment Return | <u>\$ 25,380</u> | <u>\$ 23,898</u> |

The increase in investments during the year ended June 30, 2018, was primarily due to the purchase of short-term U.S. Treasury securities with a total cost basis of \$199,035. The source of funds used for this investment purchase was cash on hand as a result of redemption of certificates of deposit that occurred earlier during the year ended June 30, 2017.

Westside Food Bank

Notes to Financial Statements—Continued

Note 3—Fair Value Measurements

In determining the fair value of assets and liabilities, WSFB utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. WSFB determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

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, 2018 and 2017.

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, 2018 and 2017.

WSFB may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by WSFB to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. WSFB had no assets or liabilities classified at NAV as a practical expedient during the years ended June 30, 2018 and 2017.

At June 30, 2018, assets measured at fair value on a recurring basis consist of an investment mutual fund and debt securities that, together, have a fair value of \$436,867. At June 30, 2017, assets measured at fair value on a recurring basis consist of an investment mutual fund with a fair value of \$212,668. The investment mutual fund and debt securities are actively traded and, as such, are considered Level 1 assets.

Note 4—Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|--------------------------|--------------------------|
| Government agencies | \$ 162,697 | \$ 184,075 |
| Foundations | 81,000 | 58,000 |
| Individuals and local organizations | 5,601 | 2,000 |
| Totals | <u>\$ 249,298</u> | <u>\$ 244,075</u> |

Westside Food Bank
Notes to Financial Statements—Continued

Note 5—Equipment, Net

Net equipment at June 30, 2018 and 2017 consists of the following:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------|-------------------------|-------------------------|
| Office equipment | \$ 16,389 | \$ 16,389 |
| Truck and warehouse equipment | 181,556 | 181,556 |
| | <u>197,945</u> | <u>197,945</u> |
| Less accumulated depreciation | (170,821) | (163,484) |
| Net | <u>\$ 27,124</u> | <u>\$ 34,461</u> |

Note 6—Commitments

WSFB occupies office and warehouse space under a noncancellable operating lease agreement (Agreement) which expires on April 30, 2024. Future minimum annual rental payments under the Agreement are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|--------------------------|
| 2019 | \$ 128,260 |
| 2020 | 134,230 |
| 2021 | 138,250 |
| 2022 | 142,310 |
| 2023 | 146,590 |
| Thereafter | <u>125,200</u> |
| Total | <u>\$ 814,840</u> |

Rent expense totaled \$124,200 and \$120,600 for the years ended June 30, 2018 and 2017, 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 subject to 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, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|--------------------------|
| Federal Emergency Food and Shelter Program | \$ 162,697 | \$ 184,075 |
| Programmatic support from foundations for future periods | 86,535 | 60,000 |
| Strategic Initiative Project | 80,000 | |
| Student Leaders Program internship | 4,000 | |
| Totals | <u>\$ 333,232</u> | <u>\$ 244,075</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, 2018 and 2017 are summarized as follows:

| | <u>2018</u> | <u>2017</u> |
|----------------------------|-------------------------|-------------------------|
| Hunger Walk event income | \$ 114,078 | \$ 126,002 |
| Less related event expense | (25,057) | (26,235) |
| Net | <u>\$ 89,021</u> | <u>\$ 99,767</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>2018</u> | <u>2017</u> |
|------------------------------|-------------------------|-------------------------|
| Advertising and promotional | \$ 6,883 | \$ 4,895 |
| Miscellaneous | 595 | 92 |
| Postage and mailing services | 2,530 | 2,838 |
| Printing and design services | 12,368 | 13,315 |
| Supplies | 2,681 | 5,095 |
| Totals | <u>\$ 25,057</u> | <u>\$ 26,235</u> |

Westside Food Bank

Notes to Financial Statements—Continued

Note 11—Retirement Plan

WSFB's 401(k) plan (the Plan) consists primarily of two components: (1) WSFB's matching 100% of employee contributions in an amount up to 4% of annual salary and (2) employee deferred payroll 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 effective immediately upon commencement of 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-forfeitability of all employer matched contributions.

WSFB's matching contributions totaled \$21,297 and \$20,157, respectively, for the years ended June 30, 2018 and 2017. Expenses related to the Plan's administration totaled \$1,920 and \$1,544, respectively, for the years ended June 30, 2018 and 2017.

Note 12—Recent Accounting Pronouncements

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2019, with early adoption permitted. WSFB is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Net Assets Presentation—In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. WSFB is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Restricted Cash—In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than

Westside Food Bank

Notes to Financial Statements—Continued

Note 12—Recent Accounting Pronouncements—Continued

one line item. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. WSFB is currently evaluating the impact that the adoption of ASU 2016-18 will have on its financial statements.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation (“simultaneous release” option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional Arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted. WSFB is currently evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements.

Cash Classification—In August 2016, FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 addresses various classification issues related to the statements of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. WSFB is currently evaluating the impact that the adoption of ASU 2016-15 will have on its financial statements.

Note 13—Subsequent Events

Management evaluated all activities of Westside Food Bank through January 28, 2019, 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.