

Audited Financial Statements



WESTSIDE
FOOD BANK

June 30, 2019

Quigley & Miron

Westside Food Bank
Audited Financial Statements
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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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 "Twiggley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
November 25, 2019

Westside Food Bank
Statement of Financial Position
June 30, 2019
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 373,508	\$ 684,952
Cash restricted to investment in equipment	53,000	
Certificates of deposit		71,058
Investments—Notes 3 and 4	966,091	436,867
Contributions and grants receivable—Note 5	204,858	249,298
Prepaid expenses and other assets	31,631	32,006
Equipment, net—Note 6	108,600	27,124
Deposits	8,182	8,182
Total Assets	<u>\$ 1,745,870</u>	<u>\$ 1,509,487</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 63,924	\$ 55,290
Total Liabilities	63,924	55,290
Commitments and Contingencies—Notes 7 and 8		
Net Assets		
Without donor restrictions—Note 9	1,207,408	1,120,965
With donor restrictions—Note 10	474,538	333,232
Total Net Assets	<u>1,681,946</u>	<u>1,454,197</u>
Total Liabilities and Net Assets	<u>\$ 1,745,870</u>	<u>\$ 1,509,487</u>

See notes to financial statements.

Westside Food Bank
Statement of Activities
Year Ended June 30, 2019
(with comparative totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Operating Activities				
Support				
Contributions	\$ 831,066	\$ 8,357	\$ 839,423	\$ 740,387
Agency fees	34,509		34,509	34,457
Grants				
Foundations	801,522	129,500	931,022	899,281
Government				
Federal Emergency Food and Shelter Program		193,700	193,700	162,697
City of Santa Monica	112,687		112,687	110,046
City of Beverly Hills	110,000		110,000	100,000
In-kind contributions		77,557	77,557	
Total Support	1,889,784	409,114	2,298,898	2,046,868
Net assets released from restrictions	267,808	(267,808)		
Total Support and Net Assets Released from Restrictions	2,157,592	141,306	2,298,898	2,046,868
Expenses				
Program services				
Food assistance services	1,679,195		1,679,195	1,606,834
Community engagement event	21,856		21,856	25,057
Supporting services				
Management and general	164,188		164,188	132,214
Fund development	248,820		248,820	271,829
Total Expenses	2,114,059		2,114,059	2,035,934
Change in Net Assets From Operations	43,533	141,306	184,839	10,934
Nonoperating Activities				
Investment return, net	42,910		42,910	26,426
Total Nonoperating Activities	42,910		42,910	26,426
Change in Net Assets	86,443	141,306	227,749	37,360
Net Assets at Beginning of Year	1,120,965	333,232	1,454,197	1,416,837
Net Assets at End of Year	\$ 1,207,408	\$ 474,538	\$ 1,681,946	\$ 1,454,197

See notes to financial statements.

Westside Food Bank
Statement of Functional Expenses
Year Ended June 30, 2019
(with comparative totals for 2018)

	Program Services			Supporting Services			2019 Total	2018 Total
	Food Assistance Services	Community Engagement Event	Total	Management and General	Fund Development	Total		
Expenses								
Salaries	\$ 377,059	\$	\$ 377,059	\$ 102,790	\$ 132,770	\$ 235,560	\$ 612,619	\$ 545,058
Payroll taxes	27,384		27,384	7,631	9,876	17,507	44,891	41,194
Employee benefits	66,366		66,366	18,496	23,935	42,431	108,797	96,830
Total Personnel Related	470,809		470,809	128,917	166,581	295,498	766,307	683,082
Advertising and promotional		3,144	3,144	1,526	3,471	4,997	8,141	14,096
Bank and processing fees				1,839	5,799	7,638	7,638	9,065
Depreciation and amortization	8,623		8,623	2,403	3,110	5,513	14,136	7,337
Dues and subscriptions	10,553		10,553	6,512	13,300	19,812	30,365	24,826
Food purchases	966,826		966,826				966,826	975,724
Insurance	3,219		3,219	897	1,161	2,058	5,277	4,973
Miscellaneous	10,771	579	11,350	3,571	2,987	6,558	17,908	12,281
Occupancy	150,217		150,217	13,974	10,480	24,454	174,671	155,759
Postage and mailing services	1,315	2,997	4,312	232	9,817	10,049	14,361	15,324
Printing and design services	2,567	12,875	15,442	453	23,369	23,822	39,264	58,924
Professional fees	7,320		7,320	2,040	2,640	4,680	12,000	11,500
Supplies	22,485	2,261	24,746	1,119	5,193	6,312	31,058	42,253
Telephone	2,530		2,530	705	912	1,617	4,147	4,285
Truck-related expenses	21,960		21,960				21,960	16,505
Total Non-Personnel Related	1,208,386	21,856	1,230,242	35,271	82,239	117,510	1,347,752	1,352,852
Total Expenses	\$ 1,679,195	\$ 21,856	\$ 1,701,051	\$ 164,188	\$ 248,820	\$ 413,008	\$ 2,114,059	\$ 2,035,934

See notes to financial statements.

Westside Food Bank
Statement of Cash Flows
Year Ended June 30, 2019
(with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 227,749	\$ 37,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,136	7,337
Donations of common stock	(10,053)	(15,408)
Donation of in-kind property	(77,557)	
Investment gain	(13,468)	(11,718)
(Increase) decrease in:		
Contributions and grants receivable	44,440	(5,223)
Prepaid expenses and other assets	375	(2,269)
Increase (decrease) in:		
Accounts payable and accrued expenses	8,634	(2,204)
Net Cash Provided by Operating Activities	<u>194,256</u>	<u>7,875</u>
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(122)	(142,159)
Maturities of certificates of deposit	71,180	141,770
Purchases of investments	(2,239,800)	(212,602)
Proceeds from sale of investments	1,724,000	
Proceeds from sale of donated common stock	10,097	15,529
Purchases of equipment	(18,055)	
Net Cash Used in Investing Activities	<u>(452,700)</u>	<u>(197,462)</u>
Cash Flows from Financing Activities		
Contributions restricted for equipment	(53,000)	
Net Cash Used in Financing Activities	<u>(53,000)</u>	
Decrease in Cash and Cash Equivalents	<u>(311,444)</u>	<u>(189,587)</u>
Cash and Cash Equivalents at Beginning of Year	<u>684,952</u>	<u>874,539</u>
Cash and Cash Equivalents at End of Year	<u>\$ 373,508</u>	<u>\$ 684,952</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, 2019
(with comparative totals for 2018)

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—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. WSFB has adopted ASU No. 2016-14 for the year ended June 30, 2019 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The WSFB's net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the WSFB and changes therein are presented and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of WSFB. These net assets may be used at the discretion of WSFB's management and the board of directors.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of WSFB and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit WSFB to use all or part of the income earned on related investments for general or specific purposes.

Westside Food Bank

Notes to Financial Statements—Continued

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

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to WSFB's ongoing food assistance services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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, 2019 and 2018. 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.

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.

Contributions—Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Westside Food Bank

Notes to Financial Statements—Continued

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

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, 2019.

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, 2019 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

Functionalized Expenses—The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy which is allocated on a square footage basis, as well as salaries, payroll taxes, employee benefits, depreciation, insurance, miscellaneous, supplies, and telephone, which are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to program services, management and general, or fund development.

In-Kind Contributions—WSFB records various types of in-kind contributions, including services and tangible assets. Donated services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donations of tangible assets are recognized at fair value when received.

In-kind donations of \$77,557 for the year ended June 30, 2019 have been recorded in the in-kind contributions caption of the statement of activities at their fair value and included in the statement of financial position. There were no in-kind contributions recorded during the year ended June 30, 2018.

During the year ended June 30, 2019, WSFB received an in-kind contribution of a refrigerated commercial van, valued at \$77,557. The amount is reported in the net equipment in the statement of financial position.

A substantial number of volunteers have donated a significant number of hours devoted to WSFB's program services, management and general, and fund development 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.

Comparative Totals for 2018—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, 2018, from which the summarized information was derived.

Reclassifications—Certain amounts in 2018 have been reclassified to conform with the 2019 financial statement presentation.

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.

Westside Food Bank**Notes to Financial Statements—Continued****Note 2—Availability and Liquidity**

The following represents the availability and liquidity of WSFB's financial assets at June 30, 2019 and 2018 to cover operating expenses for the next fiscal year:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 426,508	\$ 684,952
Certificates of deposit		71,058
Investments	966,091	436,867
Contributions and grants receivable	204,858	249,298
	<u>1,597,457</u>	<u>1,442,175</u>
Total Financial Assets	1,597,457	1,442,175
Less amounts not available to be used within one year:		
Net assets with donor restrictions		
Restricted due to purpose		
Federal Emergency Food and Shelter Program	(193,700)	(162,697)
Strategic Initiative project	(145,594)	(80,000)
Purchases of equipment	(53,000)	
Student Leaders Program internship		(4,000)
Restricted due to timing	(9,857)	(86,535)
Less net assets with time restrictions to be met within one year	9,857	86,535
Board-designated reserve fund	(111,369)	(111,369)
	<u>(503,663)</u>	<u>(358,066)</u>
Total Amounts Not Available to be Used Within One Year	(503,663)	(358,066)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,093,794</u>	<u>\$ 1,084,109</u>

WSFB's goal is generally to maintain financial assets to meet 180 days of general operating expenses (approximately \$1,000,000). The board-designated reserve fund is intended by board of director policy to be used for specific purposes, projects or investments, and to provide funds to allow WSFB to operate effectively despite reduction or curtailment of portions of its funding in the future.

Westside Food Bank
Notes to Financial Statements—Continued

Note 3—Investments

Investments at June 30, 2019 and 2018 consist of the following:

	<u>Cost Basis</u>	<u>Market Value</u>
June 30, 2019:		
Mutual funds		
Large growth	\$ 205,410	\$ 267,820
Debt securities		
U.S. Treasury bills	695,898	698,271
Totals	<u>\$ 901,308</u>	<u>\$ 966,091</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>

Note 4—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, 2019 and 2018.

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, 2019 and 2018.

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

Westside Food Bank**Notes to Financial Statements—Continued****Note 4—Fair Value Measurements—Continued**

fair value accounting standards. WSFB had no assets or liabilities classified at NAV as a practical expedient during the years ended June 30, 2019 and 2018.

At June 30, 2019 and 2018, assets measured at fair value on a recurring basis consist of an investment mutual fund and debt securities that, together, have, respectively, a fair value of \$966,091 and \$436,867. The investment mutual fund and debt securities are actively traded and, as such, are considered Level 1 assets.

Note 5—Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Government agencies	\$ 193,700	\$ 162,697
Foundations		81,000
Individuals and local organizations	11,158	5,601
Totals	<u>\$ 204,858</u>	<u>\$ 249,298</u>

Note 6—Equipment, Net

Net equipment at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 14,598	\$ 16,389
Program equipment	77,557	
Truck and warehouse equipment	192,474	181,556
	284,629	197,945
Less accumulated depreciation and amortization	(176,029)	(170,821)
Net	<u>\$ 108,600</u>	<u>\$ 27,124</u>

Westside Food Bank
Notes to Financial Statements—Continued

Note 7—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>		
2020	\$	134,230
2021		138,250
2022		142,310
2023		146,590
2024		<u>125,200</u>
Total	\$	<u>686,580</u>

Rent expense totaled \$128,260 and \$124,200 for the years ended June 30, 2019 and 2018, respectively.

Note 8—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 9—Net Assets without Donor Restrictions

Net assets without donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,096,039	\$ 1,009,596
Board-designated reserve	111,369	111,369
Totals	<u>\$ 1,207,408</u>	<u>\$ 1,120,965</u>

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 10—Net Assets with Donor Restrictions

Net assets with donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Strategic Initiative project	\$ 145,594	\$ 80,000
Student Leaders Program internship		4,000
Purchases of equipment	53,000	
Restricted-use of contributed equipment	72,387	
Promises to give, the proceeds from which have have been restricted by donors:		
For food assistance services		
Federal Emergency Food and Shelter Program	193,700	162,697
Due to timing		
Support for future periods	9,857	86,535
Total Subject to Expenditure for Specified Purpose	<u>\$ 474,538</u>	<u>\$ 333,232</u>

Net assets released from donor restrictions for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Strategic Initiative project	\$ 9,406	\$
Student Leaders Program internship	4,000	2,000
Federal Emergency Food and Shelter Program	162,697	184,075
Restricted-use of contributed equipment	5,170	
Satisfaction of timing restrictions	86,535	60,000
Totals	<u>\$ 267,808</u>	<u>\$ 246,075</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 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-forfeiture of all employer matched contributions.

WSFB's matching contributions totaled \$23,061 and \$21,297, respectively, for the years ended June 30, 2019 and 2018. Expenses related to the Plan's administration totaled \$3,436 and \$1,920, respectively, for the years ended June 30, 2019 and 2018.

Westside Food Bank

Notes to Financial Statements—Continued

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 No. 2016-02 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 No. 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 one line item. ASU No. 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 No. 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 No. 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 No. 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 No. 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 No. 2016-15 addresses various classification issues related to the statements of cash flows. ASU No. 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 No. 2016-15 will have on its financial statements.

Westside Food Bank

Notes to Financial Statements—Continued

Note 13—Subsequent Events

Management evaluated all activities of Westside Food Bank through November 25, 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.