

Audit Partner in Charge - Philip Smith
Audit Firm's Identification Number - 95-2694444

IMPERIAL VALLEY FOOD BANK
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

IMPERIAL VALLEY FOOD BANK

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Imperial Valley Food Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Imperial Valley Food Bank, a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Imperial Valley Food Bank as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Imperial Valley Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2022 on our consideration of Imperial Valley Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Imperial Valley Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Imperial Valley Food Bank's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Considine & Considine". The script is cursive and somewhat stylized, with a large initial 'C' on the left and another 'C' on the right, connected by a small ampersand-like flourish in the middle.

CONSIDINE & CONSIDINE
An accountancy corporation

August 26, 2022

IMPERIAL VALLEY FOOD BANK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,092,171
Restricted cash (note 3)	212,885
Investments (note 4)	231,706
Inventories	1,341,186
Accounts receivable	1,204
Grants and contracts receivable (note 5)	76,261
Pledges receivable (note 6)	147,833
Prepaid expenses	13,866
	<hr/>
	4,117,112

PROPERTY AND EQUIPMENT (note 7)	6,183,022
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OTHER ASSETS

Restricted cash (note 3)	179,193
Pledges receivable - long-term (note 6)	32,945
New markets tax credit financing (note 10)	4,602,950
	<hr/>
	4,815,088

TOTAL ASSETS	<hr/> <hr/> 15,115,222
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	46,850
Accrued liabilities	22,391
	<hr/>
	69,241

LONG-TERM LIABILITIES

Capital lease (note 8)	9,748
New markets tax credit financing (note 10)	6,370,000
	<hr/>
	6,379,748

TOTAL LIABILITIES	6,448,989
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NET ASSETS (note 12)

Without donor restrictions	
Undesignated	8,071,497
Board designated	360,994
	<hr/>
Total net assets without donor restrictions	8,432,491
With donor restrictions	233,742
	<hr/>

TOTAL NET ASSETS	8,666,233
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TOTAL LIABILITIES AND NET ASSETS	<hr/> <hr/> \$ 15,115,222
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See accompanying notes to the consolidated financial statements

IMPERIAL VALLEY FOOD BANK
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

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	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Governmental agencies	\$ 3,849,621	\$ -	\$ 3,849,621
Contributions	5,335,328	55,248	5,390,576
Interest	148,009	-	148,009
Program income	184,558	-	184,558
Public support	78,052	110,170	188,222
Campaign income	-	104,965	104,965
Special events	78,360	-	78,360
Miscellaneous income	18,862	-	18,862
Rental income	1,325	-	1,325
	9,694,115	270,383	9,964,498
Net assets released from restrictions			
Restrictions satisfied by payments	192,121	(192,121)	-
TOTAL SUPPORT AND REVENUE	9,886,236	78,262	9,964,498
EXPENSES			
Program services:			
Emergency Food Assistance (EFAP)	3,897,172	-	3,897,172
Other food bank programs	5,838,295	-	5,838,295
Total program services	9,735,467	-	9,735,467
Supporting services:			
Administration	129,138	-	129,138
Fundraising	136,106	-	136,106
Capital campaign	211,461	-	211,461
Total supporting services	476,705	-	476,705
TOTAL EXPENSES	10,212,172	-	10,212,172
CHANGE IN NET ASSETS	(325,936)	78,262	(247,674)
NET ASSETS, BEGINNING OF YEAR	8,758,427	155,480	8,913,907
NET ASSETS, END OF YEAR	\$ 8,432,491	\$ 233,742	\$ 8,666,233

See accompanying notes to the consolidated financial statements

IMPERIAL VALLEY FOOD BANK
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

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	Program Services		Supporting Services			
	EFAP	Other Food Bank Programs	Administration	Fundraising	Capital Campaign	Total
EXPENSES						
Automobile expenses	\$ 43,104	\$ 817	\$ -	\$ -	\$ -	\$ 43,921
Bank services fees	739	1,802	105	2,720	175	5,541
Distribution expense	3,326,893	5,283,572	-	-	-	8,610,465
Dues and subscriptions	23,419	2,989	13,398	2,460	1,058	43,324
Insurance	59,623	13,817	2,358	-	1,446	77,244
Interest	-	-	-	-	206,742	206,742
Miscellaneous	13,974	37,755	10,401	35,081	125	97,336
Office supplies	12,953	4,495	1,054	81	-	18,583
Payroll taxes	26,284	12,991	7,865	7,476	-	54,616
Professional fees	28,915	10,168	5,179	-	900	45,162
Repairs and maintenance	5,686	648	-	-	988	7,322
Travel	314	-	3,566	16	-	3,896
Wages	296,802	149,105	82,631	88,359	-	616,897
Warehouse expenses	58,466	13,810	2,581	(87)	27	74,797
TOTAL EXPENSES BEFORE DEPRECIATION	3,897,172	5,531,969	129,138	136,106	211,461	9,905,846
Depreciation	-	306,326	-	-	-	306,326
TOTAL EXPENSES	<u>\$ 3,897,172</u>	<u>\$ 5,838,295</u>	<u>\$ 129,138</u>	<u>\$ 136,106</u>	<u>\$ 211,461</u>	<u>\$ 10,212,172</u>

See accompanying notes to the consolidated financial statements

**IMPERIAL VALLEY FOOD BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (247,674)
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ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO

CASH PROVIDED BY OPERATING ACTIVITIES

Depreciation	306,326
Loss on disposal of property and equipment	113
Amortization of debt issuance costs	13,572
Change in operating assets and liabilities:	
Receivables	919,204
Inventories	653,476
Prepaid expenses	(13,866)
Accounts payable	(65,483)
Accrued expenses	(4,672)

1,808,670

NET CASH PROVIDED BY OPERATING ACTIVITIES

1,560,996

CASH USED BY INVESTING ACTIVITIES

Acquisition of property and equipment	(96,361)
Purchase of certificate of deposit	(3,772)

NET CASH USED BY INVESTING ACTIVITIES

(100,133)

CASH USED BY FINANCING ACTIVITIES

Collections of contributions restricted for capital campaign	185,431
Principal payments on capital lease	(3,210)
Principal payments on note payable	(498,845)

NET CASH USED BY FINANCING ACTIVITIES

(316,624)

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,144,239

CASH AND RESTRICTED CASH, BEGINNING OF YEAR

1,340,010

CASH AND RESTRICTED CASH, END OF YEAR

\$ 2,484,249

SUPPLEMENTAL DISCLOSURES:

Taxes paid	\$ -
Interest paid	\$ 206,742

See accompanying notes to the consolidated financial statements

IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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NOTE 1 THE ORGANIZATION

Imperial Valley Food Bank (the Organization) is a tax-exempt corporation, incorporated in the State of California on February 20, 1973 pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization's mission is to mobilize resource to fight hunger in our community. The Organization is affiliated with the national network of food banks known as Feeding America.

The core work of the Organization is the collection and distribution of donated food and other grocery products. Food and commodities are donated by the general public and government agencies. The Organization solicits donations from a wide variety of sources including produce growers, supermarket chains, wholesalers, the United States Department of Agriculture, large manufacturers and locally sponsored food drives and distributes these food commodities to qualifying distribution agencies and neighborhood pantries in Imperial County serving low-income and needy people.

The Organization also participates in hunger awareness campaigns in order to educate and inform the public regarding the problem of hunger. Revenues are primarily derived from fundraising, direct mail campaigns, grants, and contributions. The following are the primary programs of the Organization:

The *Emergency Food Assistance Program* (EFAP) provides emergency food assistance to residents of Imperial County. The EFAP program helps supplement the diets of low-income Americans, including elderly people, by providing them with emergency food and nutrition assistance at no cost. EFAP is partially funded by the United States Department of Agriculture (USDA) through its agent, the California Department of Social Services.

The *CalFresh Program*, federally known as the Supplemental Nutrition Assistance Program (SNAP) is a federally funded program that helps low-income individuals to buy the food they need for good health. The CalFresh Program helps improve the health and well-being of qualified households and individuals by providing them a means to meet their nutritional needs. The program provides education to food pantries to provide food stamp resources and information to their clients, including conducting informational meetings. The program issues monthly electronic benefits that can be used to buy most foods at many markets and food stores. Imperial Valley Food Bank helps with the application process in remote locations and advocates with DSS for those who apply.

The *Weekend Backpack Program* is fully funded by nongovernmental grants and serves the most vulnerable school-aged children by providing a backpack of healthy, nutritious food for the weekend. Each backpack contains enough food for six meals to include breakfast, lunch and dinner. The Organization has partnered with over 30 schools and provides backpacks to over 600 students.

The *Perishable Donation Partnership Fresh Food Rescue Program* brings food banks and local retailers together to rescue fresh food, such as, fresh meat, produce, dairy and bakery items that would otherwise be tossed away, by collecting and properly storing it, so it could be quickly shipped to reach hungry families. The Organization has partnered with Walmart, Target, and Food-4-Less to prevent retail food waste. The Organization's trucks pick up donations daily in order to distribute foods to local soup kitchens and shelters.

The *Farm to Family Produce and Perishables Program* connects the state's growers and packers with the Organization to deliver fresh, nutritious food to families in need, year-round. The California Association

**IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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of Food Banks' Farm to Family team finds growers and packers with excess produce that is not right for market timing or might not meet marketplace standards for beauty, size or shape. The produce and perishables are distributed through the various food bank distribution programs.

Box of Basics Program (BOB) allows individuals in the Imperial Valley to purchase a variety of food items made to last up to one week for \$25. The Organization utilizes bulk buying power to be able to provide food at discounted rates and accepts CalFresh (SNAP) as a form of payment for the box of basics.

Partner Pantry Program is made of donated food obtained through food-drives held by various companies within the Imperial Valley area. The Partner Pantry provides partner agencies the opportunity to purchase items from the Organization's 'Agency Store'. The Organization's bulk buying power allows partner agencies to purchase items at minimal cost to stock their own cabinets or shelters.

Imperial Valley Food Bank Foundation is a nonprofit corporation organized under the laws of the State of California since August 7, 2018, and was incorporated for the purpose of obtaining the New Market Tax Credit (see note 8).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The accompanying financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles (GAAP) in the United States of America.

Consolidations – The accompanying consolidated financial statements include the accounts of Imperial Valley Food Bank and its 100% owned subsidiary, Imperial Valley Food Bank Foundation, Inc. All significant intercompany transactions and accounts have been eliminated.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Basis of presentation - Under accounting standards on Financial Statements of Not-for profit Organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions - Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Board of Directors.

Net assets with donor restrictions - Net assets with donor restrictions consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Cash - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Organization maintains accounts with financial institutions with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains cash

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balances in bank accounts that, at times, may exceed the federally insured deposit limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on cash.

Restricted cash - The Organization follows Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows Topic 230: Restricted Cash*, which provides guidance on the cash flows statement presentation and disclosure of restricted cash.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Gains and losses are included in the statements of activities and changes in net assets.

Fair value measurement - The Organization follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Inventory - Inventory consists of food products that are purchased, donated and commodities received through the United States Department of Agriculture (USDA). The Organization records contributed food received from the USDA based on actual food product prices provided by the USDA. Inventory may neither be sold nor pledged as security for debt. Donated food is valued at \$1.62 per pound at December 31, 2021, using an average value derived from Feeding America, a national food bank network non-profit corporation. Purchased food is valued at the lower of cost (first-in, first-out) or market.

Property and equipment - Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value as of the date of donation. The Organization's capitalization limit is \$500. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Depreciation expense is computed using the straight line method over the estimated useful lives of the assets. Estimated useful lives are listed below:

Vehicles	5 years
Office equipment	5 years
Warehouse equipment	5 - 7 years
Warehouse and improvements	7 - 39 years

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Capitalized interest - Interest associated with the construction of the building was capitalized in the amount of \$152,038. These costs, commencing with occupation in 2019, are being depreciated over a 39 year period using the straight-line method.

Impairment of long-lived assets - The Organization reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets held for sale are reported at the lower of the carrying amount or the fair value less costs to sell. Based on an evaluation of existing long-lived and intangible assets, the Organization determined that no impairments occurred for the years ended December 31, 2021.

Notes receivable - Notes receivable represents funds advanced to the investment fund relating to the New Market Tax Credit Program (see note 10). Loans are stated at unpaid principal and interest income is recorded when received.

Debt issuance costs - The Organization follows guidance issued by the FASB on accounting and disclosure requirements related to debt issuance costs. The guidance nets costs associated with acquiring debt with the principal of the debt acquired. Annual amortization of the debt issuance costs is included in interest expense.

Pledges receivable - The pledges receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. As of December 31, 2021, pledges considered to be uncollectible were \$0. A discount on pledges receivable expected to be received over several years are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in donations revenue on the statements of activities and changes in net assets.

Contributions - Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are reported as increases in net assets with restrictions. When the restriction is met the amount is shown as a reclassification of net assets from with restrictions to without restrictions.

Contributions in-kind - Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations; however, no amounts have been reflected in the accompanying financial statements for these donated services as they do not meet the criteria under generally accepted accounting principles to be recorded as donated services.

The Organization follows Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. This

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ASC's core principle requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the company expects to be entitled in exchange for those goods or services.

The Organization follows ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU includes clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions. The Organization does not make significant contributions and the impact of ASU 2018-08 related to contributions made is not expected to be material to the financial statements or disclosures.

Functional allocations of expenses - The Organization allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore no provision has been made for federal income taxes in the accompanying financial statements.

The Organization follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the consolidated financial statements and recognition threshold and measurement attribute for the consolidated financial statements and recognition and measurement of a tax position taken or expected to be taken in a tax return. As of December 31, 2021, the Organization has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

Recently issued accounting standards - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires balance sheet presentation of lease assets and lease liabilities for those leases classified as operating leases. For nonpublic entities, the standard is effective retrospectively for fiscal years beginning after December 15, 2021, however, early application is permitted. Management will evaluate the application of these standards to determine future impact on the Company's financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 CASH AND RESTRICTED CASH

Restricted cash consists of amounts restricted by the Organization's donors and the NMTC funding to be used for the following specified purposes in the following year:

Pledge accumulation **	\$ 109,454
Capital campaign	63,074
NMTC fee and expense reserve *	40,357
	<u>\$ 212,885</u>

Restricted cash consists of amounts restricted by the Organization's donors and the NMTC funding to be used for the following specified long-term purposes:

NMTC fee and expense reserve *	\$ 140,968
Interest reserve ***	38,225
	<u>\$ 179,193</u>

*Amounts are held and controlled by Partnerships of Hope XXII, LLC and can only be used toward interest and the RDF Compliance Cost Reimbursement related to the NMTC financing for the Organization's new facility. Each year during the compliance period \$27,857 is withdrawn to pay a portion of interest expense and \$12,500 is withdrawn to pay the annual RDF Compliance Cost Reimbursement.

**Amounts are held and controlled by Raza Development Fund, Inc. (RDF) The amounts are accumulated from donors under the capital campaign and are used to make the principal payments against the bridge loan due to RDF.

***Amounts are held and controlled by RDF for interest reserve for the note payable included on the statement of financial position.

The following table provides a reconciliation of cash and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts in the consolidated statements of cash flows.

Cash and cash equivalents	\$ 2,092,171
Restricted cash	212,885
Restricted cash included in other assets	179,193
	<u>\$ 2,484,249</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 INVESTMENTS

Investments consist of the following at December 31, 2021:

Certificate of deposit	\$ 200,000
Pooled investment	31,706
	<u>\$ 231,706</u>

Certificate of deposit bear interest at 0.30% and have a nine month maturity, with no material penalties for early withdrawal.

The Organization established a non-endowment fund with the Imperial Valley Community Foundation. Non-endowment funds do not have a permanent principal balance and may be granted out in their entirety. The non-endowment fund balances are stated at fair value of \$31,706 as of December 31, 2021. Non-endowment fund investments are held in various securities as determined and defined by the Imperial Valley Community Foundation.

Investment income on funds held by the Imperial Valley Foundation of \$4,228 for the year ended December 31, 2021, is shown net of investment fees of \$456.

NOTE 5 GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable relates mainly to reimbursements under government programs that have not been received from the respective government agency. It represents the amount due through the year ended December 31, 2021.

Management assesses the collectability of all receivables at the close of each period and records an allowance for doubtful accounts based on specific identification. Management has determined all receivables were collectible at December 31, 2021.

NOTE 6 PLEDGES RECEIVABLE

Long-term pledges receivable are shown at present value using discount rates ranging from 0.73% to 0.97%. Pledges receivable consist of the following at December 31:

Gross pledges receivable	181,196
Less: discount to net present value	(418)
Net pledges receivable	<u>\$ 180,778</u>

Amounts due in:

One year or less	\$ 147,833
Between one and five years	33,363
	<u>\$ 181,196</u>

IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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NOTE 7 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

Warehouse and improvements	\$ 5,290,779
Vehicles	501,494
Furniture and fixtures	284,880
Warehouse equipment	238,504
Computer equipment	139,737
Office equipment	17,511
	<u>6,472,905</u>
Accumulated depreciation	(845,438)
	<u>5,627,467</u>
Land	555,555
	<u><u>\$ 6,183,022</u></u>

Depreciation expense for the year ended December 31, 2021 is \$306,326.

The Organization has pledged land and pre-development costs of approximately \$839,000, the new location of the food bank, towards financing the New Markets Tax Credit (see note 10).

NOTE 8 CAPITAL LEASE

The Organization leases equipment under a capital lease. The economic substance of the agreement is that the Organization is financing the acquisition of the equipment through the lease and, accordingly, it is recorded in the Organization's assets and liabilities. Included in property and equipment on the accompanying statement of financial position as of December 31, 2021, is equipment financed under capital leases with a capitalized cost of \$17,000 and less accumulated depreciation of \$7,933.

The following is a schedule by year of future minimum lease payments under the capitalized lease, together with the present value of net minimum lease payments at December 31, 2021.

2022	\$ 4,020
2023	4,020
2024	2,681
Total minimum lease payments	<u>10,721</u>
Less amount representing interest	973
	<u><u>\$ 9,748</u></u>

**IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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NOTE 9 CONTRIBUTIONS IN KIND

The estimated fair value of donated food and local services received are recorded as contributions. During the year ended December 31, 2021 there was \$6,510,013 in food donations received.

NOTE 10 NEW MARKETS TAX CREDIT

In September 2018, the Organization entered into a debt transaction to access additional funds through the New Markets Tax Credit ("NMTC") Program. These funds were used towards the construction of an approximately 28,000 square foot food bank and outreach facility. The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments ("QEI") in a designated Community Development Entity - Partnerships of Hope XXII, LLC ("CDE"). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments ("QLICs"). The tax credits are claimed over a seven-year period and equate to 39% of the QLICs. The Organization has partnered with an investor, Chase Community Equity, LLC ("Chase"), to utilize the NMTC Program.

At closing, the Food Bank received a \$2,000,000 bridge loan from RDF. The bridge loan calls for monthly interest payments at 7.0%, and is due in full in September 2025. The Organization uses funds that it receives as donations under the capital campaign for the new facility as principal payments. These funds are deposited into the pledge accumulation account which RDF has right and control of. This loan was paid off during 2021.

Chase established Chase NMTC IVFB Investment Fund, LLC (the "Fund"), a special purpose entity, to raise the capital for the transaction. The Fund was funded with \$2,104,050 of equity from Chase, and loans from the Organization in the amounts of \$2,000,000 (leverage loan A) and \$2,590,950 (leverage loan B).

The leverage loan A from Imperial Valley Food Bank to the Fund requires quarterly interest-only payments at 3.1% until September 2025. At that date the full amount of principal is due. The note is secured by the Fund membership interests in the CDE. At December 31, 2021, the balance of the note was \$2,000,000 and interest accrued under the note was \$0.

The leverage loan B from Imperial Valley Food Bank to the Fund requires quarterly interest-only payments at 3.1% until September 2025. Thereafter, the payments will consist of quarterly installments of principal plus accrued interest until maturity in September 2048. The note is secured by the Fund membership interests in the CDE. At December 31, 2021, the balance of the note was \$2,602,950 and accrued interest under the note was \$0.

The Organization established Imperial Valley Food Bank Foundation, Inc. ("Foundation") as a California non-profit corporation to serve as the entity to hold the title of the new facility and serve as the Qualified Active Low Income Community Business (QALICB) in the NMTC transaction.

The capital raised by the Fund was used to make a \$6,500,000 QEI in the CDE, an entity 99.9% owned by the Fund and 0.01% owned by RDF. The CDE then loaned these funds to the Foundation in the form of three notes:

**IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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The first note payable (QLICI Loan A1), has a balance of \$2,000,000 as of December 31, 2021 and bears interest at 2.677%. The note requires quarterly interest only payments through September 2025 at which time all accrued interest and principal is due. The note is secured by a first mortgage on the property and project. It is also guaranteed by the Food Bank. At December 31, 2021, the Foundation had accrued interest payable amount of \$0 due to the CDE relating to QLICI Loan A1.

The second note payable (QLICI Loan A2), has a balance of \$2,602,950 as of December 31, 2021 and bears interest at 2.677%. The note requires quarterly interest only payments through September 2025, at which time quarterly payments increase to include principal amounts to fully amortize the note over 30 years. The note matures in September 2048 and is secured by a first mortgage on the property and project and is guaranteed by the Food Bank. At December 31, 2021, the Foundation had accrued interest payable amount of \$0 due to the CDE relating to QLICI Loan A2.

The third note payable (QLICI Loan B), has a balance of \$1,767,050 as of December 31, 2021 and bears interest at 2.677%. The note requires quarterly interest only payments through September 2025, at which time quarterly payments increase to include principal amounts to fully amortize the note over 30 years. The note matures in September 2048 and is secured by a first mortgage on the property and project and is guaranteed by the Food Bank. At December 31, 2021, the Foundation had accrued interest payable amount of \$0 due to the CDE relating to QLICI Loan B.

Notes receivable and notes payable related to the NMTC financing reflected on the consolidated statement of financial position as of December 31, 2021 are as follows:

NMTC notes receivable:

Leverage loan B	\$ 2,602,950
Leverage loan A	2,000,000
	<u>\$ 4,602,950</u>

NMTC notes payable:

QLICI loan A2	\$ 2,602,950
QLICI loan A1	2,000,000
QLICI loan B	1,767,050
	<u>\$ 6,370,000</u>

Interest income and expense related to NMTC financing for the year ended December 31, 2021 is as follows:

Interest income	\$ 142,691
Interest expense	\$ 193,170

The seven year compliance period for the NMTC ends in September 2025, at which time Chase may exit the transaction through the exercise of a call/put agreement that it has entered into with the Organization. Under the agreement, Chase Bank may "put" its interest in the Fund to the Organization for a purchase price of \$1,000. In the event that Chase has not exercised this put option, the Organization has 90 days to exercise its call option to purchase Chase's entire interest in the Funds for a

**IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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purchase price equal to the appraised value of Chase interest. To exercise the call option, the Organization must be current on all payments under the three notes payable and must not owe any additional amounts to the Fund or Chase. The Organization will realize its savings from the NMTC transactions through the exercise of this put or call option, at which time it will control the Fund and can effectively forgive the QLICI Loans. No amounts have been recorded in the accompanying consolidated financial statements related to these put and call options.

There is a related-party lease between the Organization and the Foundation and RDF has an interest in the lease and the leverage loan receivables.

The future principal payments required under the notes payable for the years ended December 31 are as follows:

2022	\$	-
2023		-
2024		-
2025		2,034,544
2026		140,501
Thereafter		4,194,955
		<u>\$ 6,370,000</u>

NOTE 11 CONCENTRATIONS

The Organization receives a significant amount of its grants funding from federal, state, and local governmental agencies. To a large extent, the continued efficient operation of the Food Bank depends on the current level of support from these agencies. A significant change in funding could impair the Food Bank's ability to operate the full scope of current programs.

NOTE 12 NET ASSETS

Net assets without donor restrictions consist of the following at December 31, 2021:

Without donor restrictions	
Undesignated	\$ 8,071,497
Board designated	
Building reserve	338,994
Endowment	22,000
	<u>360,994</u>
Total without donor restrictions	<u>\$ 8,432,491</u>

No amounts were released from Board designation by incurring expenses satisfying the designated purposes or by occurrence of other events specified by the Board for the year ended December 31, 2021.

IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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Net assets with donor restrictions represent contributions and other inflows received by the Organization, which are limited in use by the donor-imposed stipulations.

Net assets with donor restrictions at December 31, 2021 are available for the following purposes:

With donor restrictions:

Subject to expenditure for specific purpose:

Backpack	\$ 233,742
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Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors during the year ended December 31, 2021 are as follows:

Purpose restriction accomplished:

Capital campaign	\$ 117,712
Backpack	74,409
	<u>\$ 192,121</u>

NOTE 13 LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of December 31, 2021 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

Financial assets, at year-end:

Restricted cash	\$ 392,078
Cash and cash equivalents	2,092,171
Contracts and grants receivable	76,261
Accounts receivable	1,204
Investments	231,706
Pledge receivable	147,833
	<u>\$ 2,941,253</u>

Less those unavailable for general expenditures within one year due to contractual or donor imposed restrictions:

Restricted by purpose restrictions	<u>453,292</u>
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Financial assets available to meet cash needs for general expenditures within one year

<u>\$ 2,487,961</u>

The Organization is supported by contributions and government grants and programs to fund its annual operations and general expenditures.

**IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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The Organization completed the construction of a new facility. There are various accounts that are assigned to the building project and new market tax credit that are restricted from use for operating. At December 31, 2021 these funds include:

Interest reserve	\$ 38,225
Pledge accumulation account	109,454
Fee and expense reserve account	40,357
	<u>\$ 188,036</u>

As a requirement of the New Market Tax Credits, a separate holding company was formed (Imperial Valley Food Bank Foundation) to own the building and property and lease it to the Organization for the life of the tax credit (seven years). The cash in the Imperial Valley Food Bank Foundation at December 31, 2021 for operations within the Foundation was \$90,422.

In addition, the Food Bank is working toward improving their reserve position in the future. The Organization has excellent credit and if more cash would be needed, a line of credit could be established until such time as reserves are sufficient for internal credit.

NOTE 14 FAIR VALUE MEASUREMENTS

The Organization follows the methods of fair value to value its financial assets and liabilities. Fair value is based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritized observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below.

Level 1: Quote prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The investments in the Imperial Valley Community Foundation (IVCF) are measured using values provided by IVCF. The values are based on the fair market value of the underlying cash, securities and other investments. Although the Organization classifies its investments in IVCF as level 3, the investments held in IVCF are comprised of level 1, 2 and 3 investments.

IMPERIAL VALLEY FOOD BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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Certificate of deposit is valued at cost plus accrued interest, which approximates fair value due to the short-term nature of these investments.

Financial assets and liabilities carried at fair value measured on a recurring basis at December 31, 2021 are classified in one of the three categories previously described as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Imperial Valley Community Foundation - non-endowment	<u>\$ -</u>	<u>\$ -</u>	<u>31,706</u>	<u>\$ 31,706</u>

Changes in level 3 financial instruments during the year ended December 31, 2021 were as follows:

Fair value, beginning	\$ 27,934
Contributions	-
Total gains or losses (realized and unrealized)	4,228
Fees	(456)
Fair value, ending	<u>\$ 31,706</u>

NOTE 15 SOLAR LEASE

During 2019, the Organization entered into a solar lease agreement. Under the agreement the Organization leases an area of the property to the solar system owner. The service term of the agreement is for 35 years from the completion of the project, which was in October 2020. After seven years the Organization has the option to purchase the system at the defined purchase price in the agreement. During the term of the agreement the Organization must purchase the electricity output from the system owner at a predetermined price according to the contract.

NOTE 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through, August 26, 2022, the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.

**IMPERIAL VALLEY FOOD BANK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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Federal Agency Name	Pass Through Agency	Federal Program Title	CFDA Number	Other Identification Number	Federal Expenditures	Passed Through to Subrecipients
The Food Distribution Cluster						
U.S. Department of Agriculture	California Department of Social Services	Emergency Food Assistance Program - Cash Assistance	10.568	15-MOU-00116	271,468	-
U.S. Department of Agriculture	California Department of Social Services	COVID-19 - Emergency Food Assistance Program - Cash Assistance	10.568	15-MOU-00116	211,065	-
U.S. Department of Agriculture	California Department of Social Services	Emergency Food Assistance Program - Non-cash Assistance (Commodities)	10.569	15-MOU-00116	3,272,632	3,272,632
Total for Program					3,755,165	3,272,632
SNAP Cluster						
U.S. Department of Agriculture	California Association of Food Banks	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	18-7013	45,167	
Total Department of Agriculture					3,800,332	3,272,632
TOTAL FEDERAL AWARDS EXPENDED					<u>\$ 3,800,332</u>	<u>\$ 3,272,632</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule

IMPERIAL VALLEY FOOD BANK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

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NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Imperial Valley Food Bank (the "Organization") under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Organization has elected not to use the 10-percent de minimis indirect cost rate as covered in 2 CFR 200.414.

NOTE 3 FOOD DISTRIBUTION

The amount of commodities reported on the schedule is the value of commodities distributed by the Organization during the current year and priced as prescribed by the Department of Agriculture. At December 31, 2021, the Organization had USDA food commodities totaling \$988,192 in inventory.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Imperial Valley Food Bank

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Imperial Valley Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Imperial Valley Food Bank's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Imperial Valley Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Imperial Valley Food Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Imperial Valley Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CONSIDINE & CONSIDINE
An accountancy corporation

August 26, 2022

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

To the Board of Directors
Imperial Valley Food Bank

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Imperial Valley Food Bank's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Imperial Valley Food Bank's major federal programs for the year ended December 31, 2021. Imperial Valley Food Bank's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Imperial Valley Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Imperial Valley Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Imperial Valley Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Imperial Valley Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Consider : Consider

August 26, 2022

**IMPERIAL VALLEY FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered material weaknesses? ☐ Yes ☒ None reported
- Non-compliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not Considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR Section 200.516(a)?

☐ Yes ☒ No

Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
Cluster	Food Distribution Cluster

Dollar threshold used to distinguish between Type A and
Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

B. Financial Statement Findings

None noted

C. Federal Awards Findings

None noted.

**IMPERIAL VALLEY FOOD BANK
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

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	Imperial Valley Food Bank	Imperial Valley Food Bank Foundation	Eliminations	Consolidated Balance
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,001,749	\$ 90,422	\$ -	\$ 2,092,171
Restricted cash	172,528	40,357	-	212,885
Investments	231,706	-	-	231,706
Inventories	1,341,186	-	-	1,341,186
Accounts receivable	1,204	-	-	1,204
Grants and contracts receivable	76,261	-	-	76,261
Pledges receivable	147,833	-	-	147,833
Prepaid expenses	13,866	-	-	13,866
Due from related parties	-	99,726	(99,726)	-
	3,986,333	230,505	(99,726)	4,117,112
PROPERTY AND EQUIPMENT	300,773	5,882,249	-	6,183,022
OTHER ASSETS				
Restricted cash	38,225	140,968	-	179,193
Pledges receivable - long-term	32,945	-	-	32,945
New markets tax credit financing	4,602,950	-	-	4,602,950
	4,674,120	140,968	-	4,815,088
TOTAL ASSETS	<u>8,961,226</u>	<u>6,253,722</u>	<u>(99,726)</u>	<u>15,115,222</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	46,850	-	-	46,850
Accrued liabilities	22,391	-	-	22,391
Due to related parties	99,726	-	(99,726)	-
Current portion of long-term debt	-	-	-	-
	168,967	-	(99,726)	69,241
LONG-TERM LIABILITIES				
Note payable	-	-	-	-
Capital lease	9,748	-	-	9,748
New markets tax credit financing	-	6,370,000	-	6,370,000
	9,748	6,370,000	-	6,379,748
TOTAL LIABILITIES	178,715	6,370,000	(99,726)	6,448,989
NET ASSETS				
Without donor restrictions	8,356,648	(116,278)	-	8,240,370
With donor restrictions	425,863	-	-	425,863
TOTAL NET ASSETS	<u>8,782,511</u>	<u>(116,278)</u>	<u>-</u>	<u>8,666,233</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,961,226</u>	<u>\$ 6,253,722</u>	<u>\$ (99,726)</u>	<u>\$ 15,115,222</u>

**IMPERIAL VALLEY FOOD BANK
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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	Imperial Valley Food Bank			Imperial Valley Food Bank Foundation				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated Balance
REVENUE								
Governmental agencies	\$ 3,849,621	-	\$ 3,849,621	\$ -	\$ -	\$ -	\$ -	\$ 3,849,621
Contributions	5,335,328	55,248	5,390,576	-	-	-	-	5,390,576
Interest	148,009	-	148,009	-	-	-	-	148,009
Campaign income	-	104,965	104,965	-	-	-	-	104,965
Program income	184,558	-	184,558	-	-	-	-	184,558
Public support	78,052	110,170	188,222	-	-	-	-	188,222
Special events	78,360	-	78,360	-	-	-	-	78,360
Miscellaneous income	18,975	-	18,975	(113)	-	(113)	-	18,862
Rental income	1,325	-	1,325	150,000	-	150,000	(150,000)	1,325
	9,694,228	270,383	9,964,611	149,887	-	149,887	(150,000)	9,964,498
Net assets released from restrictions								
Restrictions satisfied by payments	-	-	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUE	9,694,228	270,383	9,964,611	149,887	-	149,887	(150,000)	9,964,498
EXPENSES								
Program services:								
Other Food Bank programs	5,616,492	-	5,616,492	221,803	-	221,803	-	5,838,295
Emergency Food Assistance (EFAP)	3,897,172	-	3,897,172	-	-	-	-	3,897,172
Total program services	9,513,664	-	9,513,664	221,803	-	221,803	-	9,735,467
Supporting services:								
Administration	279,138	-	279,138	-	-	-	(150,000)	129,138
Fundraising	136,106	-	136,106	-	-	-	-	136,106
Capital campaign	23,679	-	23,679	187,782	-	187,782	-	211,461
Total supporting services	438,923	-	438,923	187,782	-	187,782	(150,000)	476,705
TOTAL EXPENSES	9,952,587	-	9,952,587	409,585	-	409,585	(150,000)	10,212,172
CHANGE IN NET ASSETS	(258,359)	270,383	12,024	(259,698)	-	(259,698)	-	(247,674)
NET ASSETS, BEGINNING OF YEAR	8,615,007	155,480	8,770,487	143,420	-	143,420	-	8,913,907
NET ASSETS, END OF YEAR	<u>\$ 8,356,648</u>	<u>\$ 425,863</u>	<u>\$ 8,782,511</u>	<u>\$ (116,278)</u>	<u>\$ -</u>	<u>\$ (116,278)</u>	<u>\$ -</u>	<u>\$ 8,666,233</u>

See accompanying notes to the consolidated financial statements and independent auditor's report