

LOAVES AND FISHES OF CONTRA COSTA

Financial Statements

For the year ended

June 30, 2019

(with comparative totals for June 30, 2018)

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Independent Auditor's Report

**To the Board of Directors
Loaves and Fishes of Contra Costa
Martinez, California**

We have audited the accompanying financial statements of Loaves and Fishes of Contra Costa (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 from 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 Loaves and Fishes of Contra Costa as of June 30, 2019, 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.

Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in misstatement of amounts previously reported in the Statement of Cash Flows for the years ending June 30, 2018 and 2019 were discovered by management of the Organization. Accordingly, the amounts reported in the Statement of Cash Flows have been corrected and restated in the June 30, 2019 financial statements now presented. No adjustment to Net Assets was required as a result of the restatement. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Loaves and Fishes of Contra Costa's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 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 "Aracely Kozan LLP". The signature is written in a cursive, flowing style.

*Danville, California
February 26, 2020*

LOAVES AND FISHES OF CONTRA COSTA

Statement of Financial Position

As of June 30, 2019

(with comparative totals as of June 30, 2018)

	June 30, 2019			June 30, 2018 Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>Assets</u>				
Cash and cash equivalents	\$ 237,745	\$ 41,534	\$ 279,279	\$ 269,675
Investments, at fair value	207,600	164,130	371,730	357,467
Contribution receivable, net	76,132	-	76,132	138,180
Grants receivable	-	-	-	2,985
Prepaid expenses and other assets	4,876	-	4,876	8,114
Property and equipment, net	935,952	-	935,952	964,363
Total Assets	\$ 1,462,305	\$ 205,664	\$ 1,667,969	\$ 1,740,784
 <u>Liabilities and Net Assets</u>				
Liabilities				
Accounts payable	\$ 14,024	\$ -	\$ 14,024	\$ 13,709
Accrued expenses	11,425	-	11,425	9,953
Notes payable	302,910	-	302,910	311,089
Total liabilities	328,359	-	328,359	334,751
Net Assets	1,133,946	205,664	1,339,610	1,406,033
Total Liabilities and Net Assets	\$ 1,462,305	\$ 205,664	\$ 1,667,969	\$ 1,740,784

See accompanying notes to financial statements.

LOAVES AND FISHES OF CONTRA COSTA

Statement of Activities

For the year ended June 30, 2019
(with comparative totals as of June 30, 2018)

	June 30, 2019			June 30, 2018 Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and Public Support				
Contributions				
Business organizations	\$ 10,350	\$ -	\$ 10,350	\$ 11,809
Religious organizations	35,005	-	35,005	35,224
Individuals	273,755	-	273,755	338,108
Foundations	226,810	25,000	251,810	431,068
Donated food and services	893,605	-	893,605	873,565
Grants				
Government	-	85,101	85,101	46,149
Other grants	-	48,719	48,719	33,906
Special events income	152,379	-	152,379	106,358
Net realized & unrealized gain (loss)	8,646	8,909	17,555	26,944
Interest and dividend income	3,641	3,078	6,719	5,917
Other income	18,327	-	18,327	(2,378)
Net assets released from restrictions:				
Satisfaction of usage restrictions	151,776	(151,776)	-	-
Total revenues	1,774,294	19,031	1,793,325	1,906,670
Expenses				
Functional activities				
Program services	1,586,371	-	1,586,371	1,455,528
Support services	81,256	-	81,256	91,814
Fundraising	192,121	-	192,121	208,088
Total expenses	1,859,748	-	1,859,748	1,755,430
Increase (Decrease) in Net Assets	(85,454)	19,031	(66,423)	151,240
Net Assets, beginning of year	1,219,400	186,633	1,406,033	1,254,793
Net Assets, end of year	\$ 1,133,946	\$ 205,664	\$ 1,339,610	\$ 1,406,033

See accompanying notes to financial statements.

LOAVES AND FISHES OF CONTRA COSTA

Statement of Functional Expenses

For the year ended June 30, 2019
(with comparative totals as of June 30, 2018)

	2019				2018 Total
	Program Services	Support Services	Fundraising	Total	
Donated food	\$ 893,605	\$ -	\$ -	\$ 893,605	\$ 854,815
Purchased food	49,801	-	-	49,801	40,909
Dining room supplies	16,606	-	-	16,606	34,537
Operating expenses:					
Salaries	373,083	34,988	103,871	511,942	455,960
Fundraising	-	-	60,506	60,506	47,914
Payroll taxes	32,214	2,747	8,657	43,618	40,705
Rent/Use fees	36,592	-	-	36,592	35,678
Depreciation expense	29,137	-	-	29,137	34,015
Utilities	32,291	-	-	32,291	29,758
Disposal	21,485	-	-	21,485	20,803
Professional services	-	25,702	-	25,702	38,343
Other operating expenses	16,298	4,514	2,939	23,751	20,783
Auto and travel	15,413	1,607	1,502	18,522	17,367
Workers' compensation	10,548	1,512	456	12,516	17,020
Interest	13,832	-	-	13,832	14,191
Insurance	18,166	2,637	-	20,803	11,583
Printing	-	627	13,508	14,135	10,432
Cleaning services	8,585	-	-	8,585	8,758
Repair and maintenance	12,272	175	-	12,447	8,422
Supplies	3,487	2,761	82	6,330	7,380
Telephone and internet	2,956	3,986	600	7,542	6,057
Total operating expenses	626,359	81,256	192,121	899,736	825,169
Total Functional Expenses	\$ 1,586,371	\$ 81,256	\$ 192,121	\$ 1,859,748	\$ 1,755,430

See accompanying notes to financial statements.

LOAVES AND FISHES OF CONTRA COSTA

Statement of Cash Flows

For the year ended June 30, 2019

(with comparative totals as of June 30, 2018)

	2019	2018
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (66,423)	\$ 151,240
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	29,137	34,015
Net realized & unrealized gain (loss)	(17,555)	(26,944)
Changes in assets and liabilities:		
Contributions receivable	62,048	(100,881)
Grant receivable	2,985	438
Prepaid expenses and other assets	3,238	(2,750)
Accounts payable	315	12,339
Accrued payroll	1,472	927
	15,217	68,384
Cash Flows From Investing Activities		
Sale of investments	9,994	20,000
Purchase of investments	(6,701)	(5,915)
Disposition of property and equipment, net	-	13,125
Purchase of property and equipment	(727)	(10,588)
	2,566	16,622
Cash Flows From Financing Activities		
Proceeds from (payments on) related party loan	(8,179)	(7,820)
Increase (Decrease) in Cash and Cash Equivalents	9,604	77,186
Cash and Cash Equivalents, beginning of year	269,675	192,489
Cash and Cash Equivalents, end of year	\$ 279,279	\$ 269,675
Supplementary Information		
Cash paid for interest expense	\$ 20,803	\$ 14,191
Cash paid for income taxes	\$ -	\$ -

See accompanying notes to financial statements.

LOAVES AND FISHES OF CONTRA COSTA

Notes to Financial Statements

For the year ended June 30, 2019

1. Organization

Loaves and Fishes of Contra Costa were incorporated on September 2, 1983. Loaves and Fishes is a non-profit, tax-exempt public benefit corporation which provides charitable assistance to the general public by providing meals free of charge to individuals and families in need. The meals are prepared at the central catering kitchen, delivered to five dining rooms and two partner sites and served by volunteers located in Contra Costa County, California. Loaves and Fishes also provide meals to Mental Health Community Concerns and Trinity Center, which are non-profit community service programs.

2. Summary of Significant Accounting Policies and Procedures

Basis of Accounting

Loaves and Fishes maintains its books and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned, and expenses are recognized when incurred in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

Loaves and Fishes prepares its financial statements following professional accounting standards where the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without Donor Restrictions

Net assets that is not subject to donor-imposed stipulations. Net assets without donor restrictions amounted to \$1,133,946 and \$1,219,400 at June 30, 2019 and 2018.

With Donor Restrictions

Net assets represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be met by actions of the Loaves and Fishes pursuant to those stipulations. Net assets with donor restrictions also include those whose restrictions are perpetual in nature as well as the accumulated appreciation of endowment funds that have not been appropriated by the Board in accordance with the Uniform Prudent Management of Institutional Fund Act (UPMIFA). Net assets with donor restrictions amounted to \$205,664 and \$186,633 at June 30, 2019 and 2018.

Cash and Cash Equivalents

Loaves and Fishes considers bank savings and money market accounts and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash in banks is insured by the Federal Depository Insurance Corporation.

Contributions Receivable

Contributions receivable consist of contributions that are promised in one year but are not expected to be collected until after the end of that year. Such receivables are originally recorded at the present value of their estimated future cash flows.

Contributions receivable are discounted at rates commensurate with the risks involved, net of any allowance for uncollectible amounts. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history, type of contributions, past due amounts and the nature of fund-raising activity. Management believes all receivables are collectible and accordingly no allowable for doubtful accounts has been recorded.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2019

2. Summary of Significant Accounting Policies and Procedures (continued)

Investments

Loaves and Fishes applies Accounts Standards Codification (ASC) No. 820 and accordingly reports investments with readily determinable fair values at their fair values in the statement of financial position. Donated investments received are recorded as contributions at the fair value of the investment on the date of donation. Gains and losses and investment income derived from investments are included in the change in net assets in the accompanying Statement of Activities.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets. Depreciation has been provided using the straight line method. The useful lives of the assets are forty years for the building and improvements and 5 -10 years for furniture, equipment and vehicles.

Support and Revenues

Loaves and Fishes relies on individuals, churches, businesses, grants from public and private foundations, and grants from government agencies. Public contributions are recorded upon receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as net assets released from restrictions. Net assets with donor restrictions whose restrictions are satisfied during the same reporting period are shown as net assets without donor restrictions.

Unconditional promises to give due in one year or less are accounted for at face value. Unconditional promises to give due in more than one year are presented at net present value based on a reasonable estimate of the risk-free rate of returns for comparable amounts for comparable time durations.

Functional Allocation of Expenses

Loaves and Fishes allocate expenses directly to related programs or supporting services. Expenses which are applicable to several programs and supporting services are allocated among the programs based upon time expended and management estimates.

Income Tax Status

Loaves and Fishes has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board under sections 501(c)(3) and 23701 of the respective income tax codes and regulations, and is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. Loaves and Fishes has evaluated its current tax positions and has concluded that as of June 30, 2019 and 2018, it does not have unrelated business income and any significant uncertain tax positions for which a reserve would be necessary. Income tax returns for the years prior to 2015 for Federal (and 2014 for California) are no longer subject to examination by tax authorities.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2019

2. Summary of Significant Accounting Policies and Procedures (continued)

Concentrations

Financial instruments that potentially subject Loaves and Fishes to credit risk consist primarily of cash, cash equivalents, and endowment investments. Loaves and Fishes maintains cash and cash equivalents with major financial institutions, which may exceed federally and privately insured amounts at times. Loaves and Fishes does not believe that it is exposed to any significant credit risk on uninsured amounts. At June 30, 2019, Loaves & Fishes did exceed the FDIC limit of \$250,000 per banking institution.

The majority of donated food received by Loaves and Fishes is from the Food Bank and White Pony Express. Although Loaves and Fishes does not believe that it is exposed to any significant risk in the near-term, a disruption in the volume of donated food from this source would have a significant impact on operations.

Loaves and Fishes' endowment investments have been placed with a major custodian, Wells Fargo Advisors. Loaves and Fishes closely monitors these endowment investments and its accounts and has not experienced significant credit losses. As of June 30, 2019 and 2018, the following endowment investments equal or exceed 5% of the fair market value of total endowment investments:

	<u>2019</u>	<u>2018</u>
American Balance Fund	25%	24%
Vanguard - Balanced Index Fund	20%	22%
American Funds - Intermediate Bond Fund of America®	11%	11%
American Funds - Capital World Growth and Income Fund®	11%	11%
American Funds - Washington Mutual Investors Fund	10%	10%
American Funds - AMCAP Fund®	8%	8%
American Funds - Fundamental Investors®	6%	6%
American Funds - New Perspective Fund®	5%	4%

Recent Accounting Pronouncements

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*. ASU 2016-14 eliminates the distinction between permanent and temporarily restrictions and requires not-for-profit entities to report net assets under two classes (net assets with donor restrictions and net assets without donor restrictions) instead of three classes and requires enhanced disclosures regarding management's self-imposed restrictions on resources without donor restrictions, composition of net asset assets with donor restrictions at the end of the period and how the restrictions affect the use of resources, among other changes. The ASU is effective for years beginning after December 15, 2017.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 was issued to assist entities in (1) evaluating whether the transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal transactions) subject to other guidance; and (2) determining whether the contribution is conditional. The ASU is effective for years beginning after December 15, 2018.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2019

2. Summary of Significant Accounting Policies and Procedures (continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 requires entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflect the consideration to which the entity expects to be entitled for those goods or services. An entity also should disclosed quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The ASU is effective for years beginning after December 15, 2018 (as amended in August 2015 by ASU No. 2015-14, *Deferral of Effective Date*.)

3. Liquidity and Availability

Financial assets available for general expenditure within one year of June 30, 2019 are as follows:

Total assets	\$ 1,667,969
Less:	
Net assets with donor restrictions	(205,664)
Land, building and equipment, net	<u>(935,952)</u>
Financial assets available within one year	<u>\$ 526,353</u>

Loaves and Fishes manages its financial assets to be available as its operating expenditures, liability and other obligations come due. If necessary, the Board has the capacity to designate a portion of any operating surplus to its liquidity reserve (\$0 reserved as of June 30, 2019).

4. Contributions Receivable

Contributions receivable at June 30, 2019 consisted of the following:

Due in 2020	\$ 63,563
Due in 2021	7,563
Due in 2022	7,563
Due in 2023	1,018
Due in 2024	-
Thereafter	<u>-</u>
	79,707
Present value discount at 2%	<u>(3,575)</u>
	<u>\$ 76,132</u>

Loaves and Fishes will receive \$7,563 annually from a donor over the next 4 years ending in fiscal year 2023 and \$55,000 from another donor in the next year ending in fiscal year 2020.

LOAVES AND FISHES OF CONTRA COSTA

Notes to Financial Statements

(continued)

For the year ended June 30, 2019

5. Donated Food and Services

The value of donated food is based on estimates using amounts collected and the value per pound set by the Federal Emergency Management Agency (“FEMA”) food bank and other estimation factors. Total donated food estimated by management amounted to \$893,605 in 2019 and \$854,815 in 2018.

A large number of people have contributed significant amounts of time to the activities of Loaves and Fishes, primarily serving and driving, without compensation. Under GAAP for nonprofits, donated services are recorded as contributions at the estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. In-kind IT donations totaled \$6,000 for 2019 (\$18,750 in 2018).

6. Property and Equipment

Property and equipment balances are summarized below as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 29,192	\$ 29,192
Building and improvements	1,124,082	1,124,082
Furniture and equipment	155,652	154,925
Vehicles	<u>93,850</u>	<u>93,850</u>
Total cost	1,402,776	1,402,049
Less: accumulated depreciation	<u>(466,824)</u>	<u>(437,686)</u>
	<u>\$ 935,952</u>	<u>\$ 964,363</u>

7. Endowment

The Board has interpreted the California state law (UPMIFA) as requiring preservation of the fair value of the original endowment gifts, as of the gift date, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, Loaves and Fishes classify as net assets with donor restrictions the original value of gifts made to the held as endowments in perpetuity.

Any unappropriated earnings of the endowments in perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Loaves and Fishes. Loaves and Fishes has established a policy to appropriate for expenditure all interest and dividends paid on investments. From time to time, the fair values of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors required to be retained as a fund of perpetual duration. In accordance with GAAP, declines of this nature are reported as losses in net assets without donor restrictions. As values recover, the increases are reported as unrestricted gains. As of June 30, 2019, Loaves and Fishes had no such declines in values. Loaves and Fishes has adopted investment and spending policies for endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the endowment assets. Under these policies, endowment assets are invested to produce a return that is expected to meet or exceed the rate of inflation as measured by the Consumer Price Index. Actual results during any period may vary from these expectations. Loaves and Fishes relies on total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance among equity investments.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2019

7. Endowment (continued)

The Board of Loaves and Fishes utilizes the following seven factors in determining the spending limit for the year in connection with the endowment funds:

1. General economic conditions
2. Possible effects of inflation
3. Where applicable, the expected tax consequences of particular investments
4. The role of each investment in the context of the entire portfolio
5. Total realized and projected current return and capital appreciation
6. Availability of other resources (such as current income and other non-investment assets) of the charity to meet projected budgetary requirements.
7. The charity's projected need for distributions from investment assets to meet current and projected operational requirements.

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets June 30, 2017	\$ -	\$ 164,980	\$ 164,980
Investment return:			
Interest and dividend income	-	2,938	2,938
Net realized & unrealized gain (loss)	-	14,225	14,225
Contributions	-	-	-
Appropriation of endowment assets for expenditure	8,242	(8,242)	-
Earnings transferred out of endowment	<u>(8,242)</u>	<u>(11,758)</u>	<u>(20,000)</u>
Endowment net assets June 30, 2018	-	162,143	162,143
Investment return:			
Interest and dividend income	-	3,078	3,078
Net realized & unrealized gain (loss)	-	8,909	8,909
Contributions	-	-	-
Appropriation of endowment assets for expenditure	8,188	(8,188)	-
Earnings transferred out of endowment	<u>(8,188)</u>	<u>(1,812)</u>	<u>(10,000)</u>
Endowment net assets, June 30, 2019	<u>\$ -</u>	<u>\$ 164,130</u>	<u>\$ 164,130</u>

The total amount appropriated for spending totaled \$8,188. For the year ended June 30, 2019, the Board approved a transfer of \$10,000 in cumulative earnings from the endowment to assist with operational expenses.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2019

7. Endowment (continued)

Endowment Net Asset Composition by Type of Fund
As of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 159,175	\$ 159,175
Spending restrictions on investment earnings from endowment funds	-	4,955	4,955
Total funds	<u>\$ -</u>	<u>\$ 164,130</u>	<u>\$ 164,130</u>

Endowment Net Asset Composition by Type of Fund
As of June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 159,175	\$ 159,175
Spending restrictions on investment earnings from endowment funds	-	2,968	2,968
Total funds	<u>\$ -</u>	<u>\$ 162,143</u>	<u>\$ 162,143</u>

8. Investments

ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets in active market as of the reporting date.

Level 2 – Observable, either directly or indirectly, pricing inputs other than quoted prices for identical assets as of reporting date. Fair value is determined through observable trading activity reported at net asset value (NAV) or through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. Loaves and Fishes used appropriate valuation techniques based on the available inputs to measure the fair value of its assets. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2019

8. Investments (continued)

Loaves and Fishes' investments are reported at fair value in the accompanying statement of financial position. In 2019 and 2018, all investments for Loaves & Fishes were Level 1 inputs. The following table presents the fair value measurement information for certain investment assets as of June 30, 2019 and 2018:

	<u>General</u> <u>Investment</u>	<u>Endowment</u> <u>Investment</u>	<u>Total</u> <u>Investment</u>
June 30, 2019			
Money market fund	\$ 1	\$ -	\$ 1
Mutual funds			
Fixed Income - US	49,906	8,437	58,343
Equity - US	45,255	21,702	66,957
Equity - Global	53,564	26,518	80,082
Fixed Income / Equity - US	58,874	107,473	166,347
Total	<u>\$ 207,600</u>	<u>\$ 164,130</u>	<u>\$ 371,730</u>
June 30, 2018			
Money market fund	\$ 1	\$ 7	\$ 8
Mutual funds			
Fixed Income - US	47,007	8,004	55,011
Equity - US	41,830	20,206	62,036
Equity - Global	51,466	25,072	76,538
Fixed Income / Equity - US	55,020	108,854	163,874
Total	<u>\$ 195,324</u>	<u>\$ 162,143</u>	<u>\$ 357,467</u>

Included in the investments above is \$159,175 of donor-restricted endowment net assets that are held in perpetuity as of June 30, 2019 and 2018.

9. Lease Obligations

Loaves and Fishes has one long-term lease non-cancellable lease agreement for one of the dining room locations. As of June 30, 2019, future minimum lease payments required under this lease is as follows:

2020	\$ 9,600
2021	-
2022	-
2023	-
2024	-
	<u>\$ 9,600</u>

Loaves and Fishes leases space (under short-term cancellable leases) from various churches, generally under month-to-month or occupancy arrangements that include stable rent and variable utilities at an aggregate amount of \$2,325 at June 30, 2019. Total rent expense was \$36,592 in 2019 and \$35,678 in 2018.

LOAVES AND FISHES OF CONTRA COSTA
Notes to Financial Statements
(continued)
For the year ended June 30, 2019

10. Note Payable

	2019
Due to former Board member, secured by real property, with interest of 4.5% per annum; monthly principal and interest payments of \$1,834; the entire principal of \$276,048 is fully payable on January 1, 2023.	\$ 302,910
	\$ 302,910

Principal payments due in the next five years are as follows:

2020	\$	8,555
2021		8,948
2022		9,359
2023		276,048
2024		-
Thereafter		-
		\$ 302,910

11. Correction of Error

Certain errors resulting in misstatement of amounts previously reported in the Statement of Cash Flows for the years ending June 30, 2018 and 2019 were discovered by management of the Organization. Accordingly, the amounts reported in the Statement of Cash Flows have been corrected and restated in the June 30, 2019 financial statements now presented. No adjustment to Net Assets was required.

12. Subsequent Events

Loaves and Fishes' management determined that there are no material events that occurred subsequent to the statement of financial position date of June 30, 2019 and through February 26, 2020, the date of this report, which would require adjustment or disclosure in the financial statements.