



LOAVES AND FISHES OF CONTRA COSTA

Financial Statements

For the Years Ended
June 30, 2021 and 2020
With Independent Auditors' Report Thereon

LOAVES AND FISHES

(A California Not-for-Profit Corporation)

Our Mission and History

The mission of Loaves and Fishes of Contra Costa is to provide community-based food programs and partner services that focus on basic needs. We Nourish Lives!

Since 1983, Loaves and Fishes has served over 5 million meals to many thousands of hungry people throughout Contra Costa County. We have recruited thousands of volunteers and built an organization that has grown to serving over 251,000 meals, and distributing over 200 tons of groceries each fiscal year.

In 2016 we started a Culinary Arts Training program. The program introduces the students to basic food preparation and cooking techniques, proper and safe operation of a commercial kitchen, food service skills, basic nutrition as well as coaching on interviewing, job retention skills and students receive assistance on acquiring a job in the culinary industry. The program has placed several students in Culinary jobs as well as helped students apply to the Diablo Valley Community College Culinary Arts program.

We partner with other social service agencies and community-based organizations to support our community in need. Our partners include Trinity Center, St. Vincent de Paul, Rubicon Programs, Opportunity Junction, White Pony Express and the Food Bank of Contra Costa & Solano.

Officers of the Board of Directors 2020-2021

Name	Position
Karen Introcaso	Chair
Michael Wilson	Vice Chair
Brian Siebold	Treasurer
Michelle Monaco	Secretary
Rhea Bennett	Board Member
Geoffrey Disch	Board Member
Jonathan Dunckel	Board Member
Reid Edwards	Board Member
Tammy Gard	Board Member
Stephen Hitchcock	Board Member
Catherine Madrid	Board Member
Pam Price-Bergquist	Board Member
Neil Roscoe	Board Member
Christopher Timbers	Board Member
Joleen Lafayette	Executive Director

LOAVES AND FISHES OF CONTRA COSTA

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LOAVES AND FISHES

(A California Not-for-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Loaves and Fishes of Contra Costa**

We have audited the accompanying financial statements of Loaves and Fishes of Contra Costa (a California Not-For-Profit Corporation) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**October 21, 2021
Danville, California**

Regalia & Associates

LOAVES AND FISHES

Statements of Financial Position June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 1,091,062	\$ 800,826
Contributions receivable	6,899	15,303
Accounts receivable	83,606	5,196
Investments	436,517	375,323
Prepaid expenses	1,238	3,598
Total current assets	<u>1,619,322</u>	<u>1,200,246</u>
Noncurrent assets:		
Deposits	1,300	1,300
Property and equipment, net	919,430	906,532
Total noncurrent assets	<u>920,730</u>	<u>907,832</u>
	<u>\$ 2,540,052</u>	<u>\$ 2,108,078</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 33,270	\$ 12,390
Accrued liabilities	32,302	32,712
Notes payable	-	294,355
Refundable advance	-	124,065
Total current liabilities	<u>65,572</u>	<u>463,522</u>
Net assets:		
Without donor restrictions	2,212,671	1,439,233
With donor restrictions	261,809	205,323
Total net assets	<u>2,474,480</u>	<u>1,644,556</u>
	<u>\$ 2,540,052</u>	<u>\$ 2,108,078</u>

LOAVES AND FISHES

Statement of Activities and Changes in Net Assets For the Years Ended June 30, 2021 and 2020

	Year ended June 30, 2021			Year ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
Revenue and support:						
Contributions						
Corporations and organizations	\$ 199,265	\$ 20,000	\$ 219,265	\$ 16,245	\$ -	\$ 16,245
Religious organizations	39,139	-	39,139	36,224	-	36,224
Individuals	730,769	17,771	748,540	440,137	-	440,137
Foundations	131,000	180,455	311,455	465,703	137,589	603,292
In-kind contributions	825,307	-	825,307	977,443	-	977,443
Government grants	179,241	287,156	466,397	39,002	33,749	72,751
Fee for service income	25,000	-	25,000	20,500	-	20,500
Special events income	159,423	-	159,423	79,289	-	79,289
Net realized gains	-	-	-	7,806	-	7,806
Net unrealized gains	68,850	5,923	74,773	1,759	-	1,759
Interest and dividend income	16,393	-	16,393	14,401	-	14,401
Other	-	-	-	9,798	-	9,798
Net assets released from restrictions	454,819	(454,819)	-	190,369	(190,369)	-
Total revenue and support	<u>2,829,206</u>	<u>56,486</u>	<u>2,885,692</u>	<u>2,298,676</u>	<u>(19,031)</u>	<u>2,279,645</u>
Expenses:						
Program activities	1,687,782	-	1,687,782	1,672,542	-	1,672,542
General and administrative	133,527	-	133,527	107,214	-	107,214
Fundraising	234,459	-	234,459	194,943	-	194,943
Total expenses	<u>2,055,768</u>	<u>-</u>	<u>2,055,768</u>	<u>1,974,699</u>	<u>-</u>	<u>1,974,699</u>
Increase (decrease) in net assets	773,438	56,486	829,924	323,977	(19,031)	304,946
Net assets at beginning of year	1,439,233	205,323	1,644,556	1,133,946	205,664	1,339,610
Reclassifications	-	-	-	(18,690)	18,690	-
Net assets at end of year	<u>\$ 2,212,671</u>	<u>\$ 261,809</u>	<u>\$ 2,474,480</u>	<u>\$ 1,439,233</u>	<u>\$ 205,323</u>	<u>\$ 1,644,556</u>

LOAVES AND FISHES

Statements of Cash Flows For the Years Ended June 30, 2021 and 2020

	2021	2020
<i>Operating activities:</i>		
Increase in net assets	\$ 829,924	\$ 304,946
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	29,409	28,692
Unrealized investment gains, net	(74,773)	(1,759)
Change in unamortized discount	-	726
Changes in:		
Contributions receivable	8,404	60,829
Accounts receivable	(78,410)	(5,196)
Prepaid expenses	2,360	1,278
Deposits	-	(1,300)
Accounts payable	20,880	(1,634)
Accrued liabilities	(410)	21,287
Refundable advance	(124,065)	124,065
Cash provided by operating activities	613,319	531,934
<i>Investing activities:</i>		
Reinvestment of investment earnings (net)	(6,421)	(22,259)
Proceeds transferred from investments to operations	20,000	20,427
Acquisition of property and equipment	(42,307)	-
Principal payments applied to notes payable	(294,355)	(8,555)
Cash provided by (used for) investing activities	(323,083)	(10,387)
Increase in cash and cash equivalents	290,236	521,547
Cash and cash equivalents at beginning of year	800,826	279,279
Cash and cash equivalents at end of year	\$ 1,091,062	\$ 800,826
<i>Additional cash flow information:</i>		
State registration taxes paid	\$ 150	\$ 150
Interest paid	\$ -	\$ -

LOAVES AND FISHES

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Total Program Activities	General and Admin- istrative	Fund- raising	2021 Total
Salaries and wages	\$ 353,813	\$ 76,302	\$ 133,832	\$ 563,947
Worker's compensation	7,444	1,605	2,816	11,865
Payroll taxes	35,183	5,606	10,014	50,803
Subtotal salaries and related expenses	396,440	83,513	146,662	626,615
Advertising and promotion	-	-	15,138	15,138
Auto and travel	13,610	1,529	775	15,914
Cleaning services	8,791	-	-	8,791
Depreciation expense	29,409	-	-	29,409
Dining room supplies	41,648	-	-	41,648
Disposal	22,980	-	-	22,980
Donated food	825,306	-	-	825,306
Fundraising and events	-	-	52,070	52,070
Grants	2,010	-	-	2,010
Insurance	7,893	1,702	2,985	12,580
Interest	11,990	-	-	11,990
Occupancy and rent	12,538	-	-	12,538
Postage	-	1,966	9,423	11,389
Printing	-	370	-	370
Professional services	36,000	32,737	-	68,737
Purchased food	91,697	-	-	91,697
Repair and maintenance	14,955	2,005	-	16,960
Security	75,369	-	-	75,369
Special Events	-	-	-	-
Supplies	19,552	1,350	9	20,911
Telephone, internet, and web	4,453	3,364	1,511	9,328
Utilities	55,757	-	-	55,757
Other operating expenses	17,384	4,991	5,886	28,261
Totals	\$ 1,687,782	\$ 133,527	\$ 234,459	\$ 2,055,768

LOAVES AND FISHES

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Activities	General and Admin- istrative	Fund- raising	2020 Total
Salaries and wages	\$ 379,052	\$ 56,050	\$ 129,867	\$ 564,969
Worker's compensation	7,380	1,091	2,528	10,999
Payroll taxes	31,714	4,558	10,071	46,343
Subtotal salaries and related expenses	418,146	61,699	142,466	622,311
Auto and travel	17,950	2,224	1,073	21,247
Cleaning services	6,811	-	-	6,811
Depreciation expense	27,782	910	-	28,692
Dining room supplies	35,970	-	-	35,970
Disposal	20,548	-	-	20,548
Donated food	977,443	-	-	977,443
Fundraising	-	-	38,265	38,265
Insurance	9,567	1,415	3,278	14,260
Interest	13,456	-	-	13,456
Occupancy and rent	9,600	-	-	9,600
Postage	-	1,512	6,912	8,424
Printing	-	774	-	774
Professional services	-	22,896	-	22,896
Purchased food	44,234	-	-	44,234
Repair and maintenance	6,177	40	-	6,217
Supplies	5,331	4,444	90	9,865
Telephone, internet, and web	6,507	5,220	1,348	13,075
Utilities	59,773	-	-	59,773
Other operating expenses	13,247	6,080	1,511	20,838
Totals	\$ 1,672,542	\$ 107,214	\$ 194,943	\$ 1,974,699

Notes to Financial Statements June 30, 2021 and 2020

1. Organization

Loaves and Fishes of Contra Costa (Loaves and Fishes) was created in 1983 as a 501(c)(3) nonprofit California corporation. The mission of Loaves and Fishes of Contra Costa is to provide community-based food programs and partner services that focus on basic needs. We are the largest provider of hot meals to the hungry in Contra Costa County, serving over 250,000 hot meals in dining rooms located throughout Contra Costa County.

Since its inception, Loaves and Fishes has served over 5 million meals to many thousands of hungry people throughout Contra Costa County. We have recruited thousands of volunteers and built an organization that has grown to serving over 251,000 meals, and distributing over 200 tons of groceries each fiscal year. We work closely with other social service agencies and community-based organizations to support our community in need. Our partners include Trinity Center, St. Vincent de Paul, Rubicon Programs, Opportunity Junction, White Pony Express and the Food Bank of Contra Costa & Solano.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of Loaves and Fishes have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Loaves and Fishes' ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Cash and Cash Equivalents – Loaves and Fishes' cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject Loaves and Fishes to concentrations of credit risk consist principally of cash and cash equivalents. Loaves and Fishes maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Loaves and Fishes manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. To date, Loaves and Fishes has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Loaves and Fishes' mission.

2. Summary of Significant Accounting Policies *(continued)*

Contributions and Accounts Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Property and Equipment – Loaves and Fishes' policy is to record acquisitions of equipment, furniture, and instruments at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are expensed currently. Loaves and Fishes reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Loaves and Fishes groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment, and it has opted not to do so as of June 30, 2021 and 2020.

Net Assets with Donor Restrictions

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Donated Services and In-Kind Contributions – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires CIF to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, among others) have been distributed based on time and effort using Loaves and Fishes' payroll allocations. Other expenses have been allocated in accordance with the specific services received from vendors or other rational allocation methods.

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Income Taxes – Loaves and Fishes is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Loaves and Fishes is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Loaves and Fishes does not file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS because it has no unrelated business taxable income for the year ended June 30, 2021.

Loaves and Fishes has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Loaves and Fishes continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements have recently been issued by the Financial Accounting Standards Board:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Loaves and Fishes has adjusted the presentation of these statements accordingly.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies *(continued)*

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of October 15, 2021 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that Loaves and Fishes has the ability to continue as a going concern.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) Removes inconsistencies and weaknesses in existing revenue requirements, (2) Provides a more robust framework for addressing revenue issues, (3) Improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) Provides more useful information to users of financial statements through improved disclosure requirements, and (5) Simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether 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 a contribution is conditional. Accordingly, Loaves and Fishes has incorporated these clarifying standards within the audited financial statements.

In November 2016, the FASB issued *ASU 2016-18, Restricted Cash*. This guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the statements of financial position, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the statements of financial position.

LOAVES AND FISHES

Notes to Financial Statements June 30, 2021 and 2020

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in financial institutions (checking, savings and money market) and consist of the following at June 30:

	2021	2020
Checking accounts (noninterest-bearing)	\$ 266,276	\$ 378,930
Savings account (bearing interest at 0.01% per annum)	824,786	421,896
Total cash and cash equivalents	\$ 1,091,062	\$ 800,826

At certain times during the year, account balances may exceed the FDIC insured limit. Such financial instruments potentially subject Loaves and Fishes to concentrations of credit risk. It is the opinion of management that the solvencies of the referenced financial institutions are satisfactorily strong and that Loaves and Fishes' financial position will not be compromised. Loaves and Fishes attempts to limit its credit risk associated with cash and cash equivalents by placing all deposits with highly rated financial institutions.

4. Receivables

Contributions receivable of \$6,899 and \$15,303 at June 30, 2021 and 2020, respectively, are due from various individuals and foundations. Accounts receivable of \$83,606 and \$5,196, respectively, are due principally from Contra Costa County under contracts which require Loaves and Fishes to provide meals to low and very low-income people living in Contra Costa. Loaves and Fishes uses the allowance method with regards to receivables deemed uncollectible. There were no write-offs during the years ended June 30, 2021 and 2020. Management has evaluated the collectability of all receivables and has determined there is no need to establish an allowance for doubtful accounts at June 30, 2021 and 2020.

5. Investments

Investments consist of the following at June 30:

	2021		2020	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Endowment Fund Investments:				
Mutual funds	\$ 102,365	\$ 165,099	\$ 107,427	\$ 156,076
Operating Fund Investments:				
Mutual funds	191,319	271,418	178,289	219,247
Total investments	\$ 293,684	\$ 436,517	\$ 285,716	\$ 375,323

During the years ended June 30, 2021 and 2020, earnings on investments were reinvested. Net unrealized gains amounted to \$74,773 and \$1,759 for the years ended June 30, 2021 and 2020, respectively. Realized gains amounted to \$7,806 for the year ended June 30, 2020. There were no realized gains for the year ended June 30, 2021. Loaves and Fishes has a Finance Committee which has the responsibility for establishing Loaves and Fishes' return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters. The committee routinely oversees investment performances and reviews cash flows necessary to sustain Loaves and Fishes' operating activities.

LOAVES AND FISHES

Notes to Financial Statements June 30, 2021 and 2020

5. Investments *(continued)*

Changes in endowment net assets for the years ended June 30, 2020 and 2021 and net asset composition by type of fund is summarized as follows:

	With Donor Restrictions
Net endowment assets at June 30, 2019	\$ 159,175
<i>Investment return:</i>	
Net unrealized investment losses – year ended June 30, 2020	(3,099)
Total investment return	(3,099)
Reclassifications	3,099
Net endowment assets at June 30, 2020	\$ 159,175
<i>Investment return:</i>	
Net unrealized investment gains – year ended June 30, 2021	5,923
Total investment return	5,923
Reclassifications	(5,923)
Net endowment assets at June 30, 2021	\$ 159,175

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level which the donor or UPMIFA requires Loaves and Fishes to retain as a fund of perpetual duration. Future deficiencies could result from unfavorable market fluctuations which occur after the investment of new restricted contributions and continued appropriation for certain programs deemed prudent by management. Loaves and Fishes' investments may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of Loaves and Fishes' management.

Return Objectives and Risk Parameters

Loaves and Fishes has adopted investment and spending policies for endowment assets in an attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds Loaves and Fishes must hold in perpetuity or for a donor-specified period(s) as well as management-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, Loaves and Fishes relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Loaves and Fishes targets a diversified asset allocation that places a greater emphasis on certain investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with its spending policy and with approval from the Board of Directors, Loaves and Fishes made distributions from its investment accounts totaling \$20,000 and \$20,427 during the years ended June 30, 2021 and 2020, respectively.

LOAVES AND FISHES

Notes to Financial Statements June 30, 2021 and 2020

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2021	2020
Land	\$ 29,192	\$ 29,192
Building and improvements	1,133,164	1,124,082
Furniture and equipment	188,149	154,924
Vehicles	93,850	93,850
Less: accumulated depreciation	(524,925)	(495,516)
Property and equipment, net	\$ 919,430	\$ 906,532

Depreciation expense amounted to \$29,409 and \$28,692 for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2020, Loaves and Fishes disposed of fully depreciated equipment in the amount of \$658. There were no disposals during the year ended June 30, 2021.

7. Fair Value Measurements

Composition of assets utilizing fair value measurements at June 30, 2021 is as follows:

	Totals	Level 1	Level 2	Level 3
Contributions receivable	\$ 6,899	\$ -	\$ 6,899	\$ -
Accounts receivable	83,606	-	83,606	-
Investments	436,517	436,517	-	-
Totals	\$ 527,022	\$ 436,517	\$ 90,505	\$ -

Composition of assets utilizing fair value measurements at June 30, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Contributions receivable	\$ 15,303	\$ -	\$ 15,303	\$ -
Accounts receivable	5,196	-	5,196	-
Investments	375,323	375,323	-	-
Totals	\$ 395,822	\$ 375,323	\$ 20,499	\$ -

8. Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to \$15,138 and \$686 for the years ended June 30, 2021 and 2020, respectively.

LOAVES AND FISHES

Notes to Financial Statements June 30, 2021 and 2020

9. Liquidity

Loaves and Fishes regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Loaves and Fishes has various sources of liquidity at its disposal, including cash and cash equivalents and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Loaves and Fishes considers all expenditures related to its ongoing support of artists to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, Loaves and Fishes operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of Loaves and Fishes' cash and shows positive cash generated by operations for the years ended June 30, 2021 and 2020. The following table shows the total financial assets held by Loaves and Fishes and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures as of June 30, 2021:

Cash and cash equivalents	\$ 1,091,062
Contributions receivable	6,899
Accounts receivable	83,606
Investments	436,517
Less: amounts not available to be used within one year:	
Donor restricted contributions for future programs	(96,710)
Investments committed to the Endowment Fund	(159,175)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,362,199</u>

Because investments were created from proceeds arising out of donor restricted contributions (in perpetuity), such assets are not available for general expenditures and are thus excluded from the schedule above. Thus, certain financial assets may not be available for general expenditure within one year. As part of Loaves and Fishes' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

10. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, Loaves and Fishes is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the year. Accrued payroll liabilities amounted to \$33,203 and \$32,712 at June 30, 2021 and 2020, respectively, and are reflected on the statements of financial position.

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Notes to Financial Statements June 30, 2021 and 2020

11. Note Payable

Note payable in the amount of \$294,355 at June 30, 2020 represents a loan due to a former Board member, secured by real property, and bearing interest at the fixed rate of 4.5% per annum. During the year ended June 30, 2021, the note payable was retired in full.

12. Refundable Advance and Government Grants

During April 2020, Loaves and Fishes applied for and received \$124,065 in a forgivable loan under the Small Business Administration Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities.

Loaves and Fishes expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. During February 2021, Loaves and Fishes received formal loan forgiveness from the SBA and reclassified the refundable advance to government contributed support.

13. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$2,309,381 and \$1,485,381 at June 30, 2021 and 2020, respectively, represents the cumulative operating results of Loaves and Fishes since its inception.

Net Assets Without Donor Restrictions – Time and Purpose

Loaves and Fishes recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or the restrictions have expired. Net assets with donor restrictions consist of the following at June 30:

	2021		2020
Culinary Training Program	\$ 75,512	\$	30,508
John Muir/Mt. Diablo Community Health Fund	19,095		33,246
Unrealized appreciation of endowment fund investments	5,923		-
Restricted for purchases of catering equipment	2,103		1,425
Total net assets with donor restrictions – time and purpose	<u>\$ 102,634</u>	\$	<u>65,179</u>

During the years ended June 30, 2021 and 2020, additions to net assets with donor restrictions (time and purpose) amounted to \$505,382 and \$171,338, respectively. During the years ended June 30, 2021 and 2020, Loaves and Fishes released \$454,819 and \$190,369, respectively, from net assets with donor restrictions to net assets without donor restrictions.

(continued)

LOAVES AND FISHES

Notes to Financial Statements June 30, 2021 and 2020

13. Net Assets *(continued)*

Net Assets with Donor Restrictions – In Perpetuity

Net assets with donor restrictions – in perpetuity consist of the following at June 30:

	2020	2019
Restricted for endowment	\$ 159,175	\$ 159,175

There were no contributions of net assets with donor restrictions – in perpetuity during the years ended June 30, 2020 and 2019. All of the endowment funds, classified as net assets with donor restrictions – in perpetuity, represent donor contributions that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. By law, Loaves and Fishes is permitted to transfer all interest and realized/unrealized gains to net assets without donor restrictions.

14. In-Kind Contributions

During the years ended June 30, 2021 and 2020, Loaves and Fishes was the recipient of a substantial amount of in-kind contributions which satisfied the provisions of [ASC 958.605.30-11](#). Donations consisted principally of fresh produce, nonperishable food, and other food products and were recorded at their estimated fair market values. The goods and materials were vital to the operation of the programs, were utilized in the preparation of food provided, and would have had to be purchased otherwise. The values of these contributions amounted to \$825,307 and \$977,443 for the years ended June 30, 2021 and 2020, respectively, and were derived by assessing the estimated costs (on a per pound basis) of all components using estimated current values of comparable items, relying on information provided by the third-party donors.

15. COVID-19

As a result of COVID-19 and its variants, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Loaves and Fishes conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management monitors and evaluates its options. These financial statements reflect certain economic losses which impacted the years ended June 30, 2021 and 2020.

16. Subsequent Events

In compliance with [ASC 855, Subsequent Events](#), Loaves and Fishes has evaluated subsequent events through October 21, 2021, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which are required to be disclosed.