



*Reports of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information*

Central California Food Bank and Subsidiary

June 30, 2023



MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Central California Food Bank and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Central California Food Bank and Subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Central California Food Bank and Subsidiary as of June 30, 2023, and the changes in their net assets and their 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 the Organization 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 opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in fiscal year 2023, the Organization adopted new accounting guidance Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization'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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the consolidating statement of financial position, consolidating statement of activities and changes in net assets, and the consolidating statement of cash flows are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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, consolidating statement of financial position, consolidating statement of activities and changes in net assets, and the consolidating statement of cash flows are fairly stated, in all material respects, in relation to the consolidated 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 February 16, 2024, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Fresno, California
February 16, 2024

Consolidated Financial Statements

Central California Food Bank and Subsidiary
Consolidated Statement of Financial Position
June 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 8,381,503
Investments in marketable securities	23,750,356
Accounts receivable	72,500
Grants receivable	3,463,094
Inventory	5,925,772
Prepaid expenses	115,083
Deposits	34,627
Restricted cash	128,466

Total current assets	41,871,401
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PROPERTY AND EQUIPMENT, net	8,483,112
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FINANCE RIGHT-OF-USE (ROU) ASSETS	703,771
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OTHER ASSETS

Loan receivable	5,951,440
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Total assets	<u>\$ 57,009,724</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 465,471
Accrued expenses	456,946
Finance lease liabilities, current portion	91,255

Total current liabilities	1,013,672
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NOTES PAYABLE	<u>8,536,000</u>
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FINANCE LEASE LIABILITIES, net of current portion	617,322
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Total liabilities	<u>10,166,994</u>
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NET ASSETS

Without donor restriction	41,905,150
With donor restriction	4,937,580

Total net assets	<u>46,842,730</u>
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Total liabilities and net assets	<u>\$ 57,009,724</u>
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Central California Food Bank and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions - commodities	\$ 71,759,857	\$ -	\$ 71,759,857
Grants - commodities	8,913,108	-	8,913,108
Grants - operations and administrative	5,923,609	-	5,923,609
Contributions - other	4,591,029	3,401,198	7,992,227
Fundraising and direct mail campaigns	976,167	-	976,167
Agency fees and charges	1,033,284	-	1,033,284
Interest and dividend income, net	643,164	-	643,164
Net realized and unrealized gain on investments	429,477	-	429,477
Total revenues, gains, and other support	94,269,695	3,401,198	97,670,893
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions satisfied by payment of related expenses	2,528,231	(2,528,231)	-
Total revenues, gains, and other support after net assets released from restrictions	96,797,926	872,967	97,670,893
EXPENSES			
Program services	93,349,535	-	93,349,535
Supporting services:			
Management and general	1,039,657	-	1,039,657
Fundraising	912,744	-	912,744
Total expenses	95,301,936	-	95,301,936
CHANGE IN NET ASSETS	1,495,990	872,967	2,368,957
NET ASSETS, beginning of year	40,409,160	4,064,613	44,473,773
NET ASSETS, end of year	\$ 41,905,150	\$ 4,937,580	\$ 46,842,730

Central California Food Bank and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program	Management and General	Fundraising	Total
Distributed commodities	\$ 78,797,438	\$ -	\$ -	\$ 78,797,438
Purchased commodities	6,933,977	-	-	6,933,977
Salaries and related expenses	3,332,045	626,939	562,680	4,521,664
Depreciation	745,944	82,883	-	828,827
Freight, fuel, and transportation	622,520	-	-	622,520
Supplies and materials	607,165	3,305	2,966	613,436
Repairs and maintenance	565,876	-	-	565,876
Outside services	460,242	9,586	8,603	478,431
Rents	429,111	80,704	72,433	582,248
Dues and subscriptions	191,759	-	68,462	260,221
Office expenses	139,468	18,385	16,501	174,354
Travel and meetings	106,601	20,058	18,000	144,659
Insurance	103,651	19,502	17,503	140,656
Utilities	103,617	19,496	17,498	140,611
Professional fees	-	122,464	-	122,464
Interest expense	82,444	15,512	13,922	111,878
Seminars, training, and workshops	41,608	7,695	6,907	56,210
Accounting and auditing	35,740	6,725	6,035	48,500
Telephone	34,031	6,403	5,747	46,181
Miscellaneous	16,298	-	8,776	25,074
Special events	-	-	86,711	86,711
	<u>\$ 93,349,535</u>	<u>\$ 1,039,657</u>	<u>\$ 912,744</u>	<u>\$ 95,301,936</u>

Central California Food Bank and Subsidiary
Consolidated Statement of Cash Flows
Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,368,957
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	828,827
Amortization	300,339
Contributed commodities	(71,759,857)
Distribution of contributed commodities	70,262,420
Contributed commodities - grants	(8,913,107)
Distribution of contributed commodities - grants	8,535,941
Unrealized gain on investments	(564,755)
Change in operating assets and liabilities:	
Accounts receivable	63,978
Grants receivable	(1,944,795)
Inventory	363,434
Prepaid expenses	(22,888)
Deposits	73,122
Accounts payable	75,370
Accrued expenses	88,478
Operating lease liability	53,842
Net cash from operating activities	<u>(190,694)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments in marketable securities	(33,295,425)
Proceeds from sale of investments in marketable securities	25,406,459
Purchase of property and equipment	<u>(383,549)</u>
Net cash from investing activities	<u>(8,272,515)</u>
CASH FLOWS FROM FINANCING ACTIVITY	
Payments on finance leases	<u>(2,600)</u>
Net cash from financing activity	<u>(2,600)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(8,465,809)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>16,975,778</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u><u>\$ 8,509,969</u></u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION	
Cash and cash equivalents	\$ 8,381,503
Restricted cash	<u>128,466</u>
Total cash, cash equivalents, and restricted cash	<u><u>\$ 8,509,969</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION	
Cash paid during the year for interest	\$ 104,054
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY	
Lease assets obtained in exchange for lease liabilities:	
Finance lease right-of-use assets	\$ 711,177

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities – Central California Food Bank is a California nonprofit corporation established to conduct a program that provides food pantries and agencies of Fresno, Madera, Tulare, Kern, and Kings counties with an organizational resource whose volume purchasing, warehousing, and food product management capacity efficiently and effectively deliver food and goods.

Food and commodities are donated by the general public and government agencies. Revenues are primarily derived from fundraising, direct mail campaigns, grants, and contributions.

Central California Food Bank is affiliated with the national network of food banks known as Feeding America.

CCFB Real Estate, Inc. is a California nonprofit corporation established in May 2018 for the purpose of performing the charitable functions of Central California Food Bank and to complete the New Markets Tax Credit (NMTC) financing to purchase office and warehouse facilities located at 4010 East Amendola Drive, Fresno, California (CCFB RE Property).

Principles of consolidation – The financial statements include the accounts for Central California Food Bank (CCFB) and CCFB Real Estate, Inc. (CCFB RE), (collectively, the Organization), and have been consolidated in accordance with accounting principles generally accepted in the United States of America. The financial statements of the entities are consolidated because they are under common control and resources are shared between entities. All material intercompany transactions and balances have been eliminated.

Method of accounting – The Organization uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Classification of net assets – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restriction – Net assets not subject to use or time restrictions. A portion of these net assets may be designated by the Board of Directors for specific purposes.

With donor restriction – Defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Net assets with donor restrictions represent amounts collected by the Organization to be utilized for specific purposes such as their backpack program, advertising campaigns, and diaper program. Restrictions on net assets are usually met within a year of receiving the amount restricted. Net assets with donor restrictions at June 30, 2023, totaled \$4,937,580. Net assets released from restriction during the year ended June 30, 2023, totaled \$2,528,231.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Use of estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Organization's method of valuation for commodities donated from the general public is considered a significant estimate.

Cash and cash equivalents – For purposes of reporting the consolidated statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of credit risk – The Organization maintains cash balances in financial institutions. Noninterest bearing accounts are aggregated with interest bearing accounts and are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2023, uninsured cash balances totaled approximately \$16,080,000. The Organization has not experienced any losses on these funds held at financial institutions.

Investments in marketable securities – Investments in marketable securities consist primarily of publicly traded mutual funds and exchange-traded funds and are carried at fair value. These investments are covered by the Securities Investor Protection Corporation up to \$500,000 (including \$250,000 of cash). Investment income and unrealized gains and losses, net of investment expenses, are included in the consolidated statement of activities and changes in net assets.

Accounts and grants receivable – Accounts receivable consist primarily of shared maintenance fees charged to agencies. Receivables are written off through an allowance for doubtful accounts when the Organization determines the payments will not be received. There was no allowance for doubtful accounts at June 30, 2023. All accounts receivable are noninterest bearing.

Grants receivable consists of amounts due from funding sources for services performed under cost reimbursement grants or contracts. Grants receivable are considered fully collectible and, therefore, no allowance for doubtful accounts has been reported.

Inventory – Inventory consists of donated food and nonfood items, purchased food, and commodities received from the United States Department of Agriculture (USDA) and California Department of Social Services (CDSS). The USDA, as passed through the CDSS, contributes commodities to the Organization. USDA commodities are valued based on published USDA prices. CDSS provides additional food assistance to communities with high levels of unemployment due to the drought. The Drought Food Assistance Program (DFAP) was established and those commodities are valued based on estimated CDSS prices.

Donated inventory is valued based on a product valuation survey conducted for Feeding America.

Purchased food is valued at the latest purchase price.

Restricted cash – Restricted cash is maintained in bank controlled accounts for contingency and fee reserves specifically related for the NMTC transaction.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Property and equipment – It is the Organization's policy to capitalize property and equipment over \$2,500. Purchased property and equipment is capitalized at cost, donated property and equipment is recorded at fair value. Contributions of property and equipment are recorded without restriction donor restriction support, unless the donor stipulates how long the assets must be used. Expenditures that increase the life of the related assets are capitalized. Repairs and maintenance, including planned major maintenance activities, are charged to operations when incurred. Leasehold improvements are depreciated over the lesser of the remaining lease agreement or the estimated useful life. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furnishings, equipment, and vehicles	3 to 10 years
Building and leasehold improvements	5 to 39 years

Recently implemented pronouncement – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as amended, which requires lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee's right to use, or control the use of, the given asset assumed under the lease. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The amendments in this update provide clarifications related to lessors and required transition disclosures related to the adoption of the new lease standard. The Organization adopted Accounting Standards Codification (ASC) 842, *Leases (ASC 842)*, using the modified retrospective approach with July 1, 2022, as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, permits companies to not reassess prior conclusion on lease identification, lease classification and initial direct costs. The adoption of this standard did not result in significant change to the Organization's accounting policies, business processes, systems, or controls, or have a material impact on its financial position, results of activities, and cash flows.

Leases – The Organization determines whether a new contract is a lease at contract inception or for a modified contract at the modification date. For those contracts that contain a lease arrangement, the Organization will determine if that arrangement represents a finance lease or an operating lease. Finance and operating lease assets and liabilities are recorded at the present value of all unpaid minimum lease payments during the lease term. Finance lease right-of-use (ROU) assets and liabilities represent the right to use the underlying leased asset and are recorded at the present value of all minimum lease payments during the lease term adjusted for prepayments, lease incentives and impairments, if any. The lease term includes the original lease term plus any option periods the Organization reasonably expects to exercise. The organization uses the implicit rate when it is readily determinable. If the Organization's leases do not provide an implicit rate, the discount rate is determined using the risk-free rate on lease commencement date.

Long-lived assets – Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment losses were recognized during the year ended June 30, 2023.

Loan receivable – Loan receivable is stated at the unpaid principal balance less an allowance for note losses. Management's periodic evaluation of the adequacy of the allowance is based on past loan loss experience, adverse situations that may affect the borrower's ability to repay and current economic conditions. There was no allowance recorded at June 30, 2023.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Interest on the loan is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loans are placed on nonaccrual when management believes that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income generally is not recognized on impaired loans unless the likelihood of further loss is remote. Interest payments received on impaired loans are applied as a reduction of the loan principal balances.

Donated goods and services – The Organization reports the fair value of donated commodities over which it has control as without restriction public support and, shortly thereafter, as expense when distributed. Donated commodities primarily consist of canned goods, produce, and durable household goods. During the year ended June 30, 2023, the Organization received approximately 37.1 million pounds and distributed approximately 33.88 million pounds. The approximate average wholesale value of one pound of donated product was determined to be \$1.93 based upon a product valuation study performed by Feeding America. The dollar amount of the received and distributed pounds is approximately \$71,760,000 and \$65,405,000, respectively, and is reported in the consolidated statement of activities and changes in net assets.

Contributions of noncash assets are utilized by the Organization in providing services and are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received, which is the value the Organization would pay to obtain those services.

A number of unpaid volunteers have made significant contributions of their time to the Organization; however, the values of these services are not reflected in these consolidated financial statements since the recognition criteria was not met.

Grant revenue – Federal, state, and local governments along with private entities have awarded grants to support the Organization's program activities that are conditioned on performing certain services or incurring certain reimbursable expenditures. The largest of these grants are the USDA Emergency Food Assistance and Trade Mitigation grants, which support the Organization's food distribution program to supplement the diets of low-income and needy persons. The grants are cost-reimbursement grants, which are recognized when the Organization incurs allowable and reasonable qualifying expenses, and commodity grants, which are recognized when the Organization receives the commodity from the granting agency. Cost-reimbursement grants are recognized as revenues increasing net assets without donor restrictions because the conditions and restrictions are met in the same period.

Contributions and promises to give – Unconditional contributions, including promises to give at estimated net realizable value, are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected within one year are recognized at their net realizable value. Unconditional promises to give that are expected to be collected over periods over one year are recorded at present value of estimated cash flows. The allowance for uncollectible amounts is estimated based upon historical collection rates and specific identification of uncollectible amounts. The Organization did not record an allowance for uncollectible promises to give as the Organization expects the promises to be fully collectible.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Fundraising and agency fees – Fundraising and agency fee revenue, including special events is recognized at a point in time. Fundraising revenue is recognized when received or pledged, special events revenue is recognized when the event takes place and agency fees are recognized when the commodities are delivered.

Accounting Standards Codification (ASC) Topic 606 Continuance – As part of the adoption of ASC 606, *Revenue from Contracts with Customers*, in the prior year, the Organization is required to disclose the opening balances as of July 1, 2022 of the following accounts:

Accounts receivable	\$	136,478
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Closing balances as of June 30, 2023 are included on the statement of financial position.

Advertising costs – Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. Advertising costs were \$105,293 during the year ended June 30, 2023.

Functional expenses – The costs of providing the Organization's food programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets, and functional expenses. Indirect or shared costs are allocated among program, support services, and fundraising by a method that measures the relative degree of benefit, such as hours worked. Accordingly, certain costs have been allocated to program, supporting services, and fundraising benefited.

Fundraising expenses – Fundraising expenses are expensed as incurred. Revenue from fundraising events is recognized in the period in which the event takes place.

Income taxes – CCFB is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the State of California Corporate Code.

CCFB RE, Inc. is a tax-exempt corporation under Section 501(c)(3) of the IRC.

Uncertain tax positions – The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Organization does not believe its consolidated financial statements include any uncertain tax positions.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements were available to be issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the consolidated statement of financial position date and before the consolidated financial statements were available to be issued.

The Organization has evaluated subsequent events through February 16, 2024, which is the date the consolidated financial statements were available to be issued.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consisted of the following at June 30, 2023:

Mutual funds:

BNY Mellon Global Fixed Income Fund CL I	\$ 2,443,580
Fidelity Advisor Biotechnology Fund CL I	516,993
Guggenheim Total Return Bond Fund Instl Class	2,989,028
Janus Henderson Forty Fund I	988,934
Johcm International Select Fund CL	472,213
Markets FD CL Instl	310,927
Oakmark Intl Fund CL Institutional	660,016

8,381,691

Exchange-traded funds:

Ishares Core S&P Small Cap ETF	556,111
Ishares 20+ Year Treasury Bond ETF	665,655
Ishares Core U.S. Aggregate Bond ETF	995,659
Ishares Core S&P 500 ETF	2,156,919
Ishares Core 1-5 Year USD Bond ETF	1,550,381
Ishares Edge MSCI Use Momentum Factor ETF	480,991
Ishares TR Core MSCI EAF ETF	727,653
SPDR S&P 600 Small Cap Value ETF	497,630

7,630,999

Certificates of deposit

7,737,666

\$ 23,750,356

During the year ended June 30, 2023, interest and dividend income, net of investment fees, was \$643,164. During the year ended June 30, 2023, net realized and unrealized gain was \$429,477. During the year ended June 30, 2023, proceeds from the sale of investments was \$25,406,459.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying consolidated statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Organization had no assets or liabilities measured using Level 2 or Level 3 inputs.

The three levels of fair value of hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Level 1 fair value measurements – The fair value of mutual funds and exchange-traded funds are based on quoted net asset values of the shares held by the Organization at year end on the active market where the funds are traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income funds	\$ 6,421,541	\$ -	\$ -	\$ 6,421,541
Domestic stock funds	827,921	-	-	827,921
International stock funds	1,132,229	-	-	1,132,229
Total mutual funds	8,381,691	-	-	8,381,691
Exchange-traded funds:				
Fixed income funds	3,211,695	-	-	3,211,695
Domestic stock funds	4,419,304	-	-	4,419,304
Total exchange-traded funds	7,630,999	-	-	7,630,999
Certificates of deposit	-	7,737,666	-	7,737,666
Total assets at fair value	\$ 16,012,690	\$ 7,737,666	\$ -	\$ 23,750,356

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

NOTE 4 – INVENTORY

The Organization's inventory as of June 30, 2023, consisted of the following:

Donated commodities	\$ 2,792,908
Government commodities	1,816,848
Purchased commodities	<u>1,316,016</u>
	<u>\$ 5,925,772</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30, 2023:

Building	\$ 6,383,984
Building and leasehold improvements	2,830,308
Vehicles	1,674,402
Equipment	1,117,072
Office equipment and furnishings	180,020
Acquisition costs	<u>321,975</u>
	12,507,761
Less: accumulated depreciation	<u>(4,378,488)</u>
	8,129,273
Construction in progress	<u>353,839</u>
	<u>\$ 8,483,112</u>

Construction in progress consists of construction of a volunteer center on the Organization's property. Once the project is completed, the costs are reclassified to the appropriate asset class and depreciated over the estimated useful life.

Depreciation expense for the year ended June 30, 2023, was \$828,827.

NOTE 6 – LOAN RECEIVABLE

On June 28, 2018, the Organization made a loan to Chase NMTC CFB Investment Fund, LLC (Investment Fund), in the amount of \$5,951,440 (Leverage Loan). Security for the Leverage Loan is the membership interest in the Investment Fund. Interest on the Leverage Loan earns a per annum rate of 1%, with interest only payments commencing in September 2018, and quarterly thereafter until September 2026. Quarterly principal and interest payments of \$156,535 begin in December 2026. The Leverage Loan matures September 2036.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

NOTE 7 – NEW MARKET TAX CREDITS

In June 2018, the Organization arranged NMTC financing as partial funding for the purchase of office and warehouse facilities located at 4010 East Amendola Drive, Fresno, California (CCFB RE Property).

NMTC is a program of the Community Development Financial Institutions Funds (CDFI), a division of the U.S. Department of the Treasury. Under the NMTC program, banks and other qualifying institutions make qualified equity investments (QEI) in Community Development Entities (CDEs) that have been certified and granted allocations by the CDFI of federal income tax credits. The funds provided by these investors are used as a means of providing favorable debt or equity financing to qualified borrowers in connection with qualifying projects located in low-income communities. The QEI cannot be redeemed for a minimum of seven years (Compliance Period), during which time substantially all of the QEI must be invested in qualified low income community investments, the majority of which take the form of investments in borrowers that must maintain their status as a qualified active low income business, as specified in the U.S. Treasury Regulations.

In connection with the purchase of the CCFB RE, NCCLF NMTC Sub-CDE 18, LLC, a single purpose CDE certified by the CDFI, made a promissory note in the amount of \$5,951,440 (NCCLF A Loan) and a promissory note in the amount of \$2,584,560 (NCCLF B Loan) to CCFB RE. Both the NCCLF A Loan and the NCCLF B Loan (collectively, NCCLF Loans) are secured by trust deeds on the CCFB RE Property.

Funding for the NCCLF Loans was provided by a \$8,800,000 QEI made by Chase NMTC CFB Investment Fund, LLC (Chase Fund) to NCCLF CDE. Chase Fund obtained the funds to make the QEI via a \$5,951,440 leverage loan by Central California Food Bank (see Note 8) and funding provided via a net equity investment, in the amount of \$2,848,560 by a tax credit investor.

NOTE 8 – NOTES PAYABLE

Notes payable consisted of the following at June 30, 2023:

Note payable to NCCLF NMTC Sub-CDE 18, LLC, payable in quarterly interest only payments for the Compliance Period starting September 2018, through December 2026, after which, quarterly principal and interest payments of \$110,365 are due beginning March 2027, including a fixed interest rate of 1.219% through maturity, maturing September 2041, secured by the Organization's land, building, and equipment.	\$ 5,951,440
Note payable to NCCLF NMTC Sub-CDE 18, LLC, payable in quarterly interest only payments for the Compliance Period starting September 2018, through December 2026, after which, quarterly principal and interest payments of \$47,929 are due beginning March 2027, including a fixed interest rate of 1.219% through maturity, maturing September 2041, secured by the Organization's land, building, and equipment.	<u>2,584,560</u>
Notes payable	<u>\$ 8,536,000</u>

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Annual maturities of notes payable as of June 30, 2023, are as follows:

<u>Years Ending June 30,</u>	
2024	\$ -
2025	-
2026	-
2027	264,912
2028	264,912
Thereafter	<u>8,006,176</u>
	<u>\$ 8,536,000</u>

NOTE 9 – LEASES

The Organization leases vehicles pursuant to financing arrangements. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

Additional information about the Organization's leases for the year ended June 30, 2023, is as follows:

Lease costs;

Finance leases:

Amortization of lease assets, included in depreciation and amortization	\$ 7,406
Interest on lease liabilities, included in interest expense	2,264
Short-term leases, included in expenses	<u>5,000</u>
	<u>\$ 14,670</u>

Other information

Lease ROU assets obtained in exchange for finance lease liabilities	\$ 711,177
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Weighted Average Remaining Lease Terms:

Financing leases	4.59
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Weighted Average Discount Rate:

Financing leases	3.82%
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Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Years Ending June 30,

2024	\$	116,736
2025		116,736
2026		116,739
2027		116,736
2028		116,736
Thereafter		<u>223,741</u>
Total lease payments		807,424
Less: interest		<u>(98,847)</u>
Present value of lease liabilities		708,577
Less: lease liabilities, current portion		<u>(91,255)</u>
Lease liabilities, net of current portion	\$	<u><u>617,322</u></u>

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

NOTE 10 – GRANT REVENUE

Grant revenue is recognized when expenditures are incurred in accordance with the applicable grant agreements. The Organization also receives commodities from the USDA and CDSS. Revenues for these contributions are recognized when the commodities are received. Grant revenue for the year ended June 30, 2023, consisted of the following:

Agency or Organization	
Federal grants:	
USDA - commodities, distributed	\$ 6,486,082
USDA - beginning inventory	(1,247,010)
USDA - ending inventory	<u>1,618,585</u>
USDA - commodities, received	6,857,657
USDA - cost reimbursements	1,246,350
Department of Homeland Security	308,075
Department of Housing and Urban Development	<u>595,403</u>
Total federal grants	<u>9,007,485</u>
Nonfederal grants:	
CDSS - commodities, distributed	2,055,450
CDSS - Diaper Program	1,387,912
Administrative cost reimbursements	2,336,587
California Nutrition Network	<u>49,283</u>
Total nonfederal grants	<u>5,829,232</u>
	<u>\$ 14,836,717</u>

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. There are no pending audit adjustments from grantor agencies at this time.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

NOTE 11 – FUNDRAISING AND DIRECT MAIL CAMPAIGNS

The Organization conducts various fundraising events and direct mail campaigns. Revenue from fundraising and direct mail campaigns for the year ended June 30, 2023, is as follows:

Event or Campaign	
Cultivation and acquisition mailings	\$ 695,942
Various	280,225
	<u>\$ 976,167</u>

NOTE 12 – EMPLOYEE RETIREMENT PROGRAM

The Organization has a defined contribution retirement plan. Eligibility is based upon age and service requirements. Participants of the plan are allowed to make before-tax contributions and the Organization may make additional contributions to the plan on the participants' behalf. Retirement expense for the year ended June 30, 2023, was \$107,763.

NOTE 13 – INTERCOMPANY LEASE COMMITMENTS

In connection with the NMTC, CCFB entered into an agreement for leased property including a building and equipment from CCFB RE for the purpose of housing their operations. The lease calls for quarterly payments beginning December 1, 2018, through September 1, 2041. The future annual minimum lease payments under the lease are \$85,000 for each of the years ended June 30, 2022, through 2025. The future annual minimum lease payments escalate to \$545,000 starting the year ending June 30, 2026, and increase approximately \$20,000 each year thereafter, through 2035. The future annual minimum lease payments escalate to \$735,000 starting the year ending June 30, 2036, through 2041. Total rent expense included in the consolidated statement of functional expenses for the year ended June 30, 2023, was \$557,422.

NOTE 14 – RISKS AND UNCERTAINTIES

Legal – The Organization is party to legal proceedings and claims which arise during the ordinary course of business. In the opinion of management and legal counsel, the ultimate outcome of the claims and litigation will not have a material effect on the Organization's financial position. In addition, management believes that any claims asserted would be settled within the limits of insurance coverage.

NOTE 15 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Central California Food Bank and Subsidiary

Notes to Consolidated Financial Statements

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2023:

Financial assets:

Cash and cash equivalents	\$ 8,381,503
Investments in marketable securities	23,750,356
Accounts receivable	72,500
Grants receivable	3,463,094
Restricted cash	128,466
Loan receivable	<u>5,951,440</u>

Financial assets, at June 30, 2022	41,747,359
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Less those unavailable for general expenditure within one year, due to:

Noncurrent portion of loan receivable	(5,951,440)
Restricted cash for capital improvements and required reserve	<u>(128,466)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 35,667,453</u></u>
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The Organization's spending policy is to structure its financial assets to be available for operations, capital assets, and opportunities to enhance the Organization's mission. Feeding America requires the Organization to demonstrate unrestricted cash reserves equal to or greater than an average quarter's cash operating expenses or demonstrate positive working capital in each of the two preceding fiscal years. At June 30, 2023, the Organization was in compliance with this requirement.

Supplementary Information

Central California Food Bank and Subsidiary
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Food Distribution Cluster			
U.S. Department of Agriculture:			
Passed through California State Department of Social Services:			
The Emergency Food Assistance Program (TEFAP) - administrative costs	10.568	N/A	\$ 484,051
The Emergency Food Assistance Program (TEFAP) - commodities	10.569	N/A	6,156,217
Build Back Better	10.568	N/A	170,854
Reach and Resiliency 1	10.568	N/A	74,029
Total Food Distribution Cluster			<u>6,885,151</u>
Other Programs			
U.S. Department of Agriculture:			
Passed through California State Department of Social Services:			
Commodity Credit Corporation (CCC) - administrative costs	10.187	N/A	31,239
Commodity Credit Corporation (CCC) - commodities	10.187	N/A	329,865
Total Commodity Credit Corporation			<u>361,104</u>
U.S. Department of Homeland Security:			
Direct Award:			
Emergency Food and Shelter National Board Fresno County Program (Phase ARPAR)	97.024	N/A	285,888
Emergency Food and Shelter National Board Tulare County Program (Phase ARPAR)	97.024	N/A	22,187
Total Emergency Food and Shelter National Board			<u>308,075</u>
U.S. Department of Agriculture			
Passed through Fresno Metropolitan Ministry:			
Specialty Crop Block Grant Program - Farm Bill	10.170	N/A	68,016
U.S. Department of Agriculture			
Passed through the California Association of Food Banks:			
State Administrative Matching Grants for Food Stamp Program (Cal Fresh)	10.561	10-10042	70,562
State Administrative Matching Grants for Food Stamp Program (P-EBT)	10.649	10-10042	35,431
U.S. Department of Agriculture			
Passed through the Rural Housing Service:			
Community Facilities Emergency Rural Health Care (ERHC1)	10.766	N/A	291,011
Community Facilities Emergency Rural Health Care (ERHC2)	10.766	N/A	21,157
Total Community Facilities Emergency Rural Health Care			<u>312,168</u>
U.S. Department of Housing and Urban Development			
Passed through the County of Fresno:			
Community Development Block Grant - Fresno	14.218	B-19-UC-06-003	550,292
Community Development Block Grant - Selma	14.218	B-19-UC-06-003	45,111
Total Community Development Block Grant			<u>595,403</u>
Total Other Programs			<u>1,750,759</u>
Total Expenditures of Federal Awards			<u>\$ 8,635,910</u>

Central California Food Bank and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Central California Food Bank and Subsidiary (the Organization) reported on the accrual basis of accounting for the year ended June 30, 2023. 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 consolidated financial position, changes in net assets, or cash flows of the Organization.

Relationship to financial reports – Information included in the accompany Schedule is in substantial agreement with the information reported in the related federal financial reports for major programs.

Program costs – The Organization's expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited as to reimbursement.

Subrecipients – The Organization does not pass through funds to subrecipients.

NOTE 2 – INDIRECT COSTS

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Single Audit Reports

Report of Independent Auditors 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*

The Board of Directors
Central California Food Bank and Subsidiary

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 consolidated financial statements of Central California Food Bank and Subsidiary, which comprise the consolidated statement of financial position for the year ended June 30, 2023, 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, and have issued our report thereon dated February 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Central California Food Bank and Subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central California Food Bank and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Central California Food Bank and Subsidiary'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 Central California Food Bank and Subsidiary's consolidated 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 Central California Food Bank and Subsidiary's consolidated 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 consolidated 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 Central California Food Bank and Subsidiary's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central California Food Bank and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Fresno, California
February 16, 2024

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Central California Food Bank and Subsidiary

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Central California Food Bank and Subsidiary'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 Central California Food Bank and Subsidiary's major federal program for the year ended June 30, 2023. Central California Food Bank and Subsidiary's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Central California Food Bank and Subsidiary complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Central California Food Bank and Subsidiary 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 the major federal program. Our audit does not provide a legal determination of Central California Food Bank and Subsidiary'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 Central California Food Bank and Subsidiary'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 Central California Food Bank and Subsidiary'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 GAAS, *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 Central California Food Bank and Subsidiary's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Central California Food Bank and Subsidiary'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 Central California Food Bank and Subsidiary'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 Central California Food Bank and Subsidiary'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 of 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.

The image shows a handwritten signature in cursive script that reads "Moss Adams LLP". The signature is written in dark ink and is positioned above the printed name and date.

Fresno, California
February 16, 2024

Central California Food Bank and Subsidiary
Schedule of Findings and Questioned Costs
June 30, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiency(ies) identified?

☐ Yes ☒ None reported

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

☐ Yes ☒ No

Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance for the Major Federal Program

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program/Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for the Major Federal Program</i>
10.568/10.569	Food Distribution Cluster	<i>Unmodified</i>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Other Information

Central California Food Bank and Subsidiary
Consolidating Statement of Financial Position
June 30, 2023

	Central California Food Bank	CCFB Real Estate, Inc.	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,374,726	\$ 6,777	\$ -	\$ 8,381,503
Investments in marketable securities	23,750,356	-	-	23,750,356
Accounts receivable	72,500	-	-	72,500
Grants receivable	3,463,094	-	-	3,463,094
Inventory	5,925,772	-	-	5,925,772
Prepaid expenses	115,083	-	-	115,083
Deposits	34,627	-	-	34,627
Restricted cash	-	128,466	-	128,466
Total current assets	41,736,158	135,243	-	41,871,401
PROPERTY AND EQUIPMENT, net	1,588,898	6,894,214	-	8,483,112
OPERATING ROU ASSET	6,522,026	-	(6,522,026)	-
FINANCE RIGHT-OF-USE (ROU) ASSET	703,771	-	-	703,771
OTHER ASSETS				
Investment in subsidiary	901,838	-	(901,838)	-
Loan receivable	5,951,440	-	-	5,951,440
Total other assets	6,853,278	-	(901,838)	5,951,440
Total assets	\$ 57,404,131	\$ 7,029,457	\$ (7,423,864)	\$ 57,009,724
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 421,595	\$ 43,876	\$ -	\$ 465,471
Accrued payroll and related expenses	456,946	-	-	456,946
Finance lease liability, current portion	91,255	-	-	91,255
Total current liabilities	969,796	43,876	-	1,013,672
OPERATING LEASE LIABILITY	6,868,801	-	(6,868,801)	-
FINANCE LEASE LIABILITY	617,322	-	-	617,322
NOTES PAYABLE	-	8,536,000	-	8,536,000
Total liabilities	8,455,919	8,579,876	(6,868,801)	10,166,994
NET ASSETS				
Without donor restriction	44,010,632	(1,550,419)	(555,063)	41,905,150
With donor restriction	4,937,580	-	-	4,937,580
Total net assets	48,948,212	(1,550,419)	(555,063)	46,842,730
Total liabilities and net assets	\$ 57,404,131	\$ 7,029,457	\$ (7,423,864)	\$ 57,009,724

Central California Food Bank and Subsidiary

Consolidating Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023

	Central California Food Bank		CCFB Real Estate, Inc.		
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	Eliminations	Total
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions - commodities	\$ 71,759,857	\$ -	\$ -	\$ -	\$ 71,759,857
Grants - commodities	8,913,108	-	-	-	8,913,108
Grants - operations and administrative	5,923,609	-	-	-	5,923,609
Contributions - other	4,591,029	3,401,198	-	-	7,992,227
Fundraising and direct mail campaigns	976,167	-	-	-	976,167
Agency fees and charges	1,033,284	-	-	-	1,033,284
Interest and dividend income, net	642,659	-	505	-	643,164
Net realized and unrealized gain on investments	429,477	-	-	-	429,477
Rental income	-	-	85,000	(85,000)	-
Total revenues, gains, and other support	94,269,190	3,401,198	85,505	(85,000)	97,670,893
NET ASSETS RELEASED FROM RESTRICTIONS					
Restrictions satisfied by payment of related expenses	2,528,231	(2,528,231)	-	-	-
Total revenues, gains, and other support after net assets released from restrictions	96,797,421	872,967	85,505	(85,000)	97,670,893
EXPENSES					
Program services	92,857,412	-	554,760	(62,637)	93,349,535
Supporting services:					
Management and general	997,565	-	53,877	(11,785)	1,039,657
Fundraising	887,532	-	35,790	(10,578)	912,744
Total expenses	94,742,509	-	644,427	(85,000)	95,301,936
CHANGE IN NET ASSETS	2,054,912	872,967	(558,922)	-	2,368,957
NET ASSETS, beginning of year	41,955,720	4,064,613	(1,030,139)	(516,421)	44,473,773
CAPITAL CONTRIBUTION, CCFB REAL ESTATE, INC.	-	-	38,642	(38,642)	-
NET ASSETS, end of year	\$ 44,010,632	\$ 4,937,580	\$ (1,550,419)	\$ (555,063)	\$ 46,842,730

Central California Food Bank and Subsidiary

Consolidating Statement of Cash Flows

Year Ended June 30, 2023

	Central California Food Bank	CCFB Real Estate, Inc.	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 2,927,879	\$ (558,922)	\$ -	\$ 2,368,957
Adjustments to reconcile change in net assets to net cash from operating activities:				
Depreciation	366,940	461,887	-	828,827
Amortization	300,339	-	-	300,339
Debt issuance interest expense	-	-	-	-
Contributed commodities	(71,759,857)	-	-	(71,759,857)
Distribution of contributed commodities	70,261,497	-	-	70,261,497
Contributed commodities - grants	(8,913,107)	-	-	(8,913,107)
Distribution of contributed commodities - grants	8,535,941	-	-	8,535,941
Unrealized gain on investments	(564,755)	-	-	(564,755)
Change in operating assets and liabilities:				
Accounts receivables	63,978	-	-	63,978
Grants receivable	(1,944,795)	-	-	(1,944,795)
Inventory	364,357	-	-	364,357
Prepaid expenses	(22,888)	-	-	(22,888)
Deposits	73,122	-	-	73,122
Accounts payable	31,494	43,876	-	75,370
Accrued expenses	88,478	-	-	88,478
Operating lease liability	53,842	-	-	53,842
Net cash from operating activities	(137,535)	(53,159)	-	(190,694)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments in mutual funds	(33,295,425)	-	-	(33,295,425)
Proceeds from sale of investments in marketable securities	25,406,459	-	-	25,406,459
Purchase of property and equipment	(383,549)	-	-	(383,549)
Proceed from sales of property and equipment	-	-	-	-
Net cash from investing activities	(8,272,515)	-	-	(8,272,515)
CASH FLOWS FROM FINANCING ACTIVITY				
Payments on finance leases	(2,600)	-	-	(2,600)
Net cash from financing activity	(2,600)	-	-	(2,600)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(8,412,650)	(53,159)	-	(8,465,809)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	16,787,376	188,402	-	16,975,778
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u>\$ 8,374,726</u>	<u>\$ 135,243</u>	<u>\$ -</u>	<u>\$ 8,509,969</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION				
Cash and cash equivalents	\$ 8,374,726	\$ 6,777	\$ -	\$ 8,381,503
Restricted cash	-	128,466	-	128,466
Total cash, cash equivalents, and restricted cash	<u>\$ 8,374,726</u>	<u>\$ 135,243</u>	<u>\$ -</u>	<u>\$ 8,509,969</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION				
Cash paid during the year for interest	\$ -	\$ 104,054	\$ -	\$ 104,054
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES				
Acquisition of property and equipment through long-term debt	\$ 711,177	\$ -	\$ -	\$ 711,177
Operating lease ROU asset obtained in exchange for lease obligations	\$ 6,814,959	\$ -	\$ -	\$ 6,814,959

