

**SANTA CLARITA VALLEY FOOD PANTRY
(A California Non-Profit Public Benefit Corporation)**

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

Years Ended December 31, 2018 and 2017

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KEITH BENSON & ASSOCIATES

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Santa Clarita Valley Food Pantry

We have reviewed the accompanying financial statements of Santa Clarita Valley Food Pantry (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



June 3, 2019

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SANTA CLARITA VALLEY FOOD PANTRY
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017

ASSETS		2018	2017
CURRENT ASSETS			
Cash and Cash Equivalents (Note 2)	\$	260,932	\$ 267,739
Inventory (Note 3)		121,116	102,525
Prepaid Expenses		4,332	6,658
TOTAL CURRENT ASSETS		386,380	376,922
NONCURRENT ASSETS			
Property and Equipment (Note 4)		937,761	887,847
TOTAL ASSETS	\$	1,324,141	\$ 1,264,769
LIABILITIES & EQUITIES			
CURRENT LIABILITIES			
Accounts Payable	\$	-	\$ 560
TOTAL LIABILITIES		-	560
NET ASSETS			
Without donor restrictions (Note 5)		1,324,141	1,264,209
TOTAL NET ASSETS		1,324,141	1,264,209
TOTAL LIABILITIES & NET ASSETS	\$	1,324,141	\$ 1,264,769

See accompanying notes and independent accountant's review report
(2)

SANTA CLARITA VALLEY FOOD PANTRY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, Other Support and Gains		
Donations	\$ 248,098	\$ 271,687
In-Kind Donations	1,720,114	1,368,068
Grants	29,320	5,200
Interest	573	1,400
Realized Capital Gains	<u>-</u>	<u>5,358</u>
Total revenues, other support and gains without donor restrictions	1,998,105	1,651,713
Expenses		
Program Services	1,849,570	1,743,428
Management and General	75,268	70,689
Fundraising	<u>13,335</u>	<u>9,075</u>
Total expenses	1,938,173	1,823,192
INCREASE/(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>59,932</u>	<u>(171,479)</u>
INCREASE/(DECREASE) IN TOTAL NET ASSETS	59,932	(171,479)
NET ASSETS AT BEGINNING OF YEAR	<u>1,264,209</u>	<u>1,435,688</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,324,141</u></u>	<u><u>\$ 1,264,209</u></u>

See accompanying notes and independent accountant's review report
(3)

SANTA CLARITA VALLEY FOOD PANTRY
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	2018				2017			
	Program	Management & General	Fundraising	Total	Program	Management & General	Fundraising	Total
Accounting & Bookkeeping Fees	\$ -	\$ 8,100	\$ -	\$ 8,100	\$ -	\$ 6,550	\$ -	\$ 6,550
Auto Expenses	7,021	-	-	7,021	6,743	-	-	6,743
Bank/Merchant Fees	-	2,206	-	2,206	-	2,934	-	2,934
Conferences, Community Events	55	-	-	55	244	-	-	244
Depreciation	16,559	167	-	16,726	10,088	102	-	10,190
Dues and Subscriptions	-	-	-	-	-	342	-	342
Equipment Maintenance	2,265	-	-	2,265	1,622	-	-	1,622
Equipment Rental Expense	1,202	-	-	1,202	-	-	-	-
Food and Non-Food Distributions to Individuals	1,590,132	-	-	1,590,132	1,439,992	-	-	1,439,992
Food Spoilage	128,472	-	-	128,472	193,794	-	-	193,794
Human Resource Expense	-	447	-	447	-	428	-	428
Insurance								
Auto	6,136	-	-	6,136	4,294	-	-	4,294
Liability	2,889	1,597	-	4,486	3,561	1,545	-	5,106
Workers Compensation	2,619	3,191	-	5,810	2,973	3,924	-	6,897
Licenses and Permits	-	170	-	170	-	150	-	150
Office Expense	-	-	-	-	-	1,363	-	1,363
Occupancy Expense	40,372	276	-	40,648	37,069	357	-	37,426
Payroll Expense	35,674	43,460	-	79,134	32,589	43,025	-	75,614
Payroll Taxes	3,777	4,601	-	8,378	2,747	3,627	-	6,374
Employee Benefits	1,660	4,978	-	6,638	612	1,835	-	2,447
Payroll Service Expense	1,190	1,454	-	2,644	1,079	1,430	-	2,509
Postage and Shipping	-	879	-	879	-	573	-	573
Public Relations	-	785	-	785	-	729	-	729
Special Fundraising Event Expenses	-	-	13,335	13,335	-	-	9,075	9,075
Supplies	4,332	2,957	-	7,289	3,234	1,775	-	5,009
Volunteer Expenses	5,215	-	-	5,215	2,787	-	-	2,787
TOTAL EXPENSES	\$ 1,849,570	\$ 75,268	\$ 13,335	\$ 1,938,173	\$ 1,743,428	\$ 70,689	\$ 9,075	\$ 1,823,192

See accompanying notes and independent accountant's review report
(4)

SANTA CLARITA VALLEY FOOD PANTRY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(Decrease) in Net Assets	\$ 59,932	\$ (171,479)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	16,726	10,190
(Increase)/Decrease in Inventory	(18,591)	226,318
(Increase)/Decrease in Prepaid Expense	2,326	(2,991)
Increase/(Decrease) in Accounts Payable	<u>(560)</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>59,833</u>	<u>62,038</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(66,640)	(2,442)
Purchase of Raw Land	-	(696,450)
Proceeds from Sale of Short-Term Investments	<u>-</u>	<u>268,675</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(66,640)</u>	<u>(430,217)</u>
NET DECREASE IN CASH	(6,807)	(368,179)
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>267,739</u>	<u>635,918</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 260,932</u></u>	<u><u>\$ 267,739</u></u>

SUPPLEMENTAL DISCLOSURES

Noncash investing transaction:

Acquisition of Refrigerator

Value of Refrigerator upon Donation	\$ 4,044	-
In-Kind Donation	(4,044)	-

Santa Clarita Valley Food Pantry
Notes to Financial Statements
For the years ended December 31, 2018 and 2017

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Nature of Activities

The Santa Clarita Valley Food Pantry (the organization) is a non-profit organization incorporated under Internal Revenue Code Section 501(c)(3) in the state of California on November 26, 1985. The organization was established to organize and maintain a non-sectarian, nonprofit volunteer organization to provide food on a short-term or emergency basis to local residents in need. The organization provides a "Senior Outreach" program for local seniors and a "Milk Money" program for its youngest clients. The organization is supported primarily through donor contributions and grants.

Financial Statement Presentation

The organization adopted the provisions of Accounting Standards Codification (ASC) No. 958, "Accounting for Contributions and Presentation of Financial Statements of Not-for Profit Entities." ASC No. 958 requires measurement of contributions received at their fair value and reporting them as an increase in net assets immediately, identifying net assets with donor restrictions and net assets without donor restrictions. The organization is also required by ASC No. 958 to include in its basic financial statements a statement of financial position, a statement of activities, a statement of cash flows, and notes to the financial statements. A statement of functional expenses is included with the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses that are allocated include compensation and benefits and related worker's compensation and payroll expenses, which are allocated on the basis of estimates of time and effort, as well as depreciation and occupancy, which are allocated on a square footage basis.

Cash and Cash Equivalents

All unrestricted highly liquid investments available for current use with a maturity of three months or less are considered cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met, either by passage of time or use, in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less, or expected to be sold or converted to cash in the next three to twelve months. Long-term investments consist of debt securities with original maturities greater than twelve months.

Santa Clarita Valley Food Pantry
Notes to Financial Statements
For the years ended December 31, 2018 and 2017

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Property and Equipment

It is the organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five years for computer equipment to twenty-seven years for buildings.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Separate bank accounts are maintained to hold contributions or grants with donor restrictions, when required.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The organization generally pays for services requiring specific expertise. However, the organization receives a significant amount of donated services from unpaid volunteers who assist in program services and fundraising. The organization receives approximately 12,800 volunteer hours per year. However, these services do not meet the criteria for recognition as contributed services under ASC No. 958.

Income Taxes

The organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue and Taxation Code and classified by the Internal Revenue Service as other than a private foundation.

Note 2 – Cash and Cash Equivalents

Cash is deposited in financial institutions that are insured by the FDIC up to \$250,000 per financial institution. Periodically, the organization may have exposure to credit risk to the extent that its cash exceeds the amount covered by the FDIC. The uninsured cash balance was \$4,820 and \$10,290 as of December 31, 2018 and December 31, 2017, respectively.

Santa Clarita Valley Food Pantry
Notes to Financial Statements
For the years ended December 31, 2018 and 2017

Note 3 - Inventory

The organization maintains an inventory of donated food, non-food (toiletries and household items), and grocery gift cards to be distributed to its clients. Inventory is stated at the lower of cost or fair market value. Spoilage of food inventory is expensed on a monthly basis.

	<u>2018</u>	<u>2017</u>
Gift Cards	\$ 1,377	\$ 1,784
Food Inventory	82,501	98,235
Non-Food Inventory	<u>37,238</u>	<u>2,506</u>
	<u>\$ 121,116</u>	<u>\$ 102,525</u>

In 2017, the organization revised its physical inventory methodology to incorporate the use of volume of storage, in addition to its physical count.

In February 2017, damages of \$90,882 were incurred to food inventory at an off-site storage facility. This amount is included in the total food spoilage expense of \$193,794 for year ended December 31, 2017 on the Statement of Functional Expenses.

Note 4 – Property and Equipment

	<u>2018</u>	<u>2017</u>
Building and Improvements	\$ 89,640	\$ 86,160
Land	832,570	832,570
Furniture, Fixtures, and Equipment	66,369	57,071
Vehicles	<u>131,369</u>	<u>77,507</u>
	1,119,948	1,053,308
Accumulated Depreciation	<u>(182,187)</u>	<u>(165,461)</u>
	<u>\$ 937,761</u>	<u>\$ 887,847</u>

Land includes the 2017 purchase of raw land upon which the organization plans to build a larger facility. The land was purchased using Board-designated funds and proceeds of investments. Capitalized cost of the raw land as of December 31, 2017 was \$717,450.

Note 5 – Net Assets

Net assets are divided into net assets with donor restrictions and net assets without donor restrictions. Donor restrictions are considered to expire when payments are made. Interest earned on temporary investments of such support is without donor restrictions. As of December 31, 2018, and 2017, no net assets with donor restrictions existed. Therefore, as of December 31, 2018 and 2017, total net assets are without donor restrictions.

Note 6 – Liquidity and Availability of Financial Assets

The organization's financial assets as of December 31, 2018 and 2017, were \$260,932 and \$267,739, respectively. All financial assets are held without contractual or donor-imposed restrictions, and therefore, are available to meet cash needs for general expenditure within one year.

As part of the organization's liquidity management, it invests cash in excess of daily requirements in cash equivalents or short-term investments, typically in a money market account.

Santa Clarita Valley Food Pantry
Notes to Financial Statements
For the years ended December 31, 2018 and 2017

Note 7 – Major Contributors

The organization receives large amounts of in-kind food donations from local grocery stores and restaurants.

Note 8 – Operating Lease

The organization leases a copier under a non-cancelable operating lease. The lease term is 39 months, ending April 2021, with an option to renew on a month to month basis. The lease includes a rent escalation for overage of monthly copies. The lease agreement does not contain a bargain purchase option at the end of the lease term.

The following is a schedule of future minimum rental payments required under the above referenced operating lease:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 962
2020	962
2021	321

Rental expense totaled \$1,202 for year ending December 31, 2018, and \$0 for year ending December 31, 2017.

Note 9 – Evaluation of Subsequent Events

Subsequent events were evaluated through June 3, 2019, the date which the financial statements were available to be issued.

Note 10 – Tax Uncertainties

The provisions of Financial Accounting Standards Board ASC 740, Income Taxes, requires entities to recognize tax positions in the financial statements when it is more likely than not that the positions will be sustained upon examination by the tax authorities.

As of December 31, 2018, Management believes the organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the organization had no interest and penalties related to income taxes.

The organization's Federal and State tax returns are open for examination for the calendar years ending December 31, 2015, 2016, 2017 and 2018. As of June 3, 2019, the organization has not been subject to an examination for the open years.