

*FOOD FOR THOUGHT*

Financial Statements  
December 31, 2021 and 2020

*VICTORIA MWANGI, CPA*  
*dba VM ACCOUNTING SERVICES*

## CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities – Year Ended December 31, 2021	4
Statement of Activities – Year Ended December 31, 2020	5
Statements of Cash Flows	6
Statement of Functional Expenses – Year Ended December 31, 2021	7
Statement of Functional Expenses – Year Ended December 31, 2020	8
Notes to Financial Statements	9-20

**Victoria W. Mwangi, CPA**  
dba VM Accounting Services

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INDEPENDENT AUDITOR'S REPORT

August 2, 2022

Board of Directors  
Food For Thought  
Forestville, California

**Opinion**

I have audited the accompanying financial statements of **Food For Thought** (a California not-for-profit corporation) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food For Thought as of December 31, 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.

**Basis for Opinion**

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Food For Thought and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## INDEPENDENT AUDITOR'S REPORT

August 2, 2022

Page Two

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

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

I am 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 I identified during the audit.



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Victoria Mwangi, CPA  
dba VM Accounting Services.  
Certified Public Accountant

# **FOOD FOR THOUGHT**

## **STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020**

	<b><u>ASSETS</u></b>	
	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,089,252	\$ 1,112,040
Grants and accounts receivable	244,706	99,454
Inventory	140,579	86,858
Prepaid expenses and deposits	35,886	68,357
Total current assets	<u>1,510,423</u>	<u>1,366,709</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash & cash equivalents	-	83,555
Investments	4,380,435	3,992,188
Property, improvements & equipment, <i>net</i>	722,959	573,868
	<u>5,103,394</u>	<u>4,649,611</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,613,817</u>	<u>\$ 6,016,320</u>
	<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 57,120	\$ 60,539
Accrued payroll expenses	152,076	150,573
Loan, Payroll Protection Program (PPP)	-	236,922
Total current liabilities	<u>209,196</u>	<u>448,034</u>
<b>NET ASSETS</b>		
Net assets with donor restrictions	1,898,661	1,814,066
Net assets without donor restrictions	4,505,960	3,754,220
	<u>6,404,621</u>	<u>5,568,286</u>
<b>TOTAL LIABILITIES &amp; NET ASSET</b>	<u>\$ 6,613,817</u>	<u>\$ 6,016,320</u>

The accompanying notes are an integral part of these statements

# FOOD FOR THOUGHT

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
SUPPORT, REVENUE AND OTHER INCOME			
Contributions & Legacy gifts	\$ 1,507,252	\$ 239,186	\$ 1,746,438
Government grants	712,467	-	712,467
In-kind donations	601,725	-	601,725
Event revenue	333,066	-	333,066
Other income	4,647	-	4,647
Investment income, <i>net</i>	395,873	-	395,873
Net assets released from restrictions	154,591	(154,591)	-
TOTAL SUPPORT, REVENUE, AND OTHER INCOME	<u>3,709,621</u>	<u>84,595</u>	<u>3,794,216</u>
EXPENSES			
Program expenses	2,260,085	-	2,260,085
Management and general	219,210	-	219,210
Fundraising	478,586	-	478,586
TOTAL EXPENSES	<u>2,957,881</u>	<u>-</u>	<u>2,957,881</u>
CHANGE IN NET ASSETS	751,740	84,595	836,335
NET ASSETS, January 1, 2021	<u>3,754,220</u>	<u>1,814,066</u>	<u>5,568,286</u>
NET ASSETS, December 31, 2021	<u>\$ 4,505,960</u>	<u>\$ 1,898,661</u>	<u>\$ 6,404,621</u>

The accompanying notes are an integral part of these statements

# **FOOD FOR THOUGHT**

## **STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
SUPPORT, REVENUE AND OTHER INCOME			
Contributions & Legacy gifts	\$ 1,849,461	\$ 165,500	\$ 2,014,961
Government grants	485,245	22,000	507,245
In-kind donations	478,029	-	478,029
Event revenue	253,223	-	253,223
Other income	57,258	-	57,258
Investment income, <i>net</i>	462,084	-	462,084
Net assets released from restrictions	603,884	(603,884)	-
TOTAL SUPPORT, REVENUE, AND OTHER INCOME	<u>4,189,184</u>	<u>(416,384)</u>	<u>3,772,800</u>
EXPENSES			
Program expenses	2,255,052	-	2,255,052
Management and general	218,474	-	218,474
Fundraising	489,343	-	489,343
TOTAL EXPENSES	<u>2,962,869</u>	<u>-</u>	<u>2,962,869</u>
CHANGE IN NET ASSETS	1,226,315	(416,384)	809,931
NET ASSETS, January 1, 2020	<u>2,527,905</u>	<u>2,230,450</u>	<u>4,758,355</u>
NET ASSETS, December 31, 2020	<u>\$ 3,754,220</u>	<u>\$ 1,814,066</u>	<u>\$ 5,568,286</u>

The accompanying notes are an integral part of these statements

# **FOOD FOR THOUGHT**

## **STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 836,335	809,931
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	57,772	48,514
Payroll Protection Program (PPP), forgiven amount	(236,922)	-
Realized/unrealized gain on investments	(301,251)	(405,602)
Non-cash donations, stock & trailer	(125,278)	(24,527)
Decrease/(Increase) in current assets		
Grants and accounts receivable	(145,252)	54,709
Inventory	(53,721)	(22,590)
Prepaid expenses & deposit	32,471	19,268
Increase/(Decrease) in current liabilities		
Accounts payable	(3,419)	15,746
Accrued payroll expenses	1,503	31,327
Deferred revenue	-	(410)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>62,238</u>	<u>526,366</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(106,862)	(59,297)
Purchase of investments	(185,386)	(435,918)
Proceeds from sale of investments	123,667	511,067
<b>NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES</b>	<u>(168,581)</u>	<u>15,852</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan proceeds, Payroll Protection Program (PPP)	-	236,922
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>236,922</u>
<b>NET INCREASE/(DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<u>(106,343)</u>	<u>779,140</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of the year</b>	<u>1,195,595</u>	<u>416,455</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year</b>	<u>\$ 1,089,252</u>	<u>\$ 1,195,595</u>

No interest paid and no income taxes paid

The accompanying notes are an integral part of these statements



# **FOOD FOR THOUGHT**

## **STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021**

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising and Events</u>	<u>2021 Total</u>
Salaries & wages	\$ 880,612	\$ 127,669	\$ 299,054	\$ 1,307,335
Payroll tax expense	64,596	8,490	23,830	96,916
Employee benefits	134,756	23,208	44,268	202,232
Food-purchased & donated	886,826	-	-	886,826
Event expenses	-	-	60,937	60,937
Occupancy	70,697	4,319	4,585	79,601
Program expenses	14,107	-	-	14,107
Supplies	25,106	897	1,523	27,526
Garden expenses	4,956	-	-	4,956
Office expense	20,678	8,016	14,267	42,961
Professional fees	52,623	28,622	8,961	90,206
Advertising	5,087	-	1,268	6,355
Staff/volunteer recognition	18,156	2,924	1,792	22,872
Insurance	3,535	9,537	-	13,072
Travel, meetings & trainings	7,735	484	361	8,580
Repairs & maintenance	18,945	1,724	2,695	23,364
Fees & licenses	742	-	11,521	12,263
Depreciation	50,928	3,320	3,524	57,772
	<u>\$ 2,260,085</u>	<u>\$ 219,210</u>	<u>\$ 478,586</u>	<u>\$ 2,957,881</u>

The accompanying notes are an integral part of these statements

# FOOD FOR THOUGHT

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	Program Expenses	Management and General	Fundraising and Events	2020 Total
Salaries & wages	\$ 794,141	\$ 142,214	\$ 311,126	\$ 1,247,481
Payroll tax expense	61,922	10,874	24,122	96,918
Employee benefits	124,292	26,122	46,622	197,036
Food-purchased & donated	1,002,103	-	-	1,002,103
Event expenses	-	-	71,649	71,649
Occupancy	57,508	4,299	4,859	66,666
Program expenses	20,230	-	-	20,230
Supplies	25,765	663	1,789	28,217
Garden expenses	4,986	-	-	4,986
Office expense	39,763	3,209	9,109	52,081
Professional fees	18,885	23,741	2,052	44,678
Advertising	4,017	140	52	4,209
Staff/volunteer recognition	16,262	1,270	2,356	19,888
Insurance	10,972	630	1,616	13,218
Travel & meetings	6,986	433	531	7,950
Repairs & maintenance	23,226	1,589	1,863	26,678
Other operating expenses	2,255	4	8,108	10,367
Depreciation	41,739	3,286	3,489	48,514
	<u>\$ 2,255,052</u>	<u>\$ 218,474</u>	<u>\$ 489,343</u>	<u>\$ 2,962,869</u>

The accompanying notes are an integral part of these statements

# **FOOD FOR THOUGHT**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020**

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### Note 1 Nature of business

- a. Food For Thought's (FFT) mission is to foster health and healing with food and compassion. The organization was founded in 1988 amidst the AIDS epidemic to provide groceries to those who were living with and dying from HIV/AIDS. Over time, FFT expanded its eligibility to include residents of Sonoma County, California who are affected by a wide range of medical conditions and are at risk of malnutrition. In 2021, they launched two new programs: one for pregnant clients, and a second for people who are in treatment for cancer.

In 2021 FFT served more than 6,000 clients who were affected by one or more of the following serious medical conditions and at great risk of malnutrition:

- COVID-19
- Pregnancy
- HIV/AIDS
- Congestive Heart Failure
- Diabetes
- Recent discharge from the hospital
- People experiencing homelessness and any serious illness
- Kidney disease
- Tuberculosis
- COPD
- Cancer

Weekly services include groceries, including fresh produce, high-quality protein, healthy grains, vitamins, supplements and medically tailored prepared meals. This amounts to 21 meals per week per person, including clients, and in many cases, dependents and other household members. Food For Thought delivers food to any client who cannot travel to the food bank, including homebound and homeless clients. In addition, they offer one-on-one nutrition counseling with a registered dietitian.

All of Food For Thought's services are provided free of charge, and the nonprofit agency offers a range of healthy choices that are both tailored to the client's unique medical condition and also culturally relevant.

Food For Thought's services improve client health, decrease medical expenses, and provide a critical service to our Sonoma County community.

# FOOD FOR THOUGHT

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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Note 2. Summary of significant accounting policies

- a. Tax Status - FFT is a not-for-profit corporation and is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and state income taxes under California Code Section 23701d. Continuance of such exempt status is subject to compliance with laws and regulations of the taxing authorities. Certain activities considered unrelated to the tax-exempt purpose of FFT may generate income that is taxable. For the years ended December 31, 2021 and 2020, FFT did not generate such income. Accordingly, no provision has been made for income taxes in the Statement of Activities.
- b. Basis of Presentation – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). FFT reports revenue, expenses, gains/losses and net assets based on the existence or absence of donor restrictions.

The following net assets classifications are used:

*Without donor restrictions* – net assets not subject to donor-imposed stipulations and are available to cover general operations.

*With donor restrictions* – net assets subject to donor-imposed stipulations that may or will be met by actions of FFT and/or passage of time. Donor stipulations could also require the assets to be maintained into perpetuity by FFT.

- c. Fair Value Measurement – 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. Generally accepted accounting principles established a fair value measurement 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 own assumptions (Unobservable inputs).

*Level 1* – Quoted prices in active markets for identical assets as reported at the measurement date.

*Level 2* – Other than quoted prices in active markets which are either directly or indirectly observable.

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

# **FOOD FOR THOUGHT**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020**

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Note 2 Summary of significant accounting policies, continued

- d. Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, FFT considers cash on hand, cash in demand accounts and highly liquid investments with an initial maturity of three months or less to be cash & cash equivalents. Cash restricted for long- term purposes are excluded from this definition.
- e. Grants Receivable – This consists primarily of grant balances to FFT. Management believes that all receivables are collectable and, therefore, an allowance for uncollectable receivables is not recorded.
- f. Inventory – Inventory consists of dry and canned foods, fruits, vegetables, and nutritional supplements, both purchased and donated. Purchased foods are stated at the lower of cost or net realizable value. Donated food value is determined by considering average purchase prices of similar items at the time of donation.
- g. Investments - Investments are reported at fair value. Donated investments are recorded at fair value at the date of donation. FFT reports gains and losses on investments, dividends and interest in the Statement of Activities as increases or decreases in net assets without donor restrictions unless they are donor restricted in which case they are reported as increases or decreases in net assets with donor restrictions. Investment returns are reported net of external and direct internal expenses.
- h. Property & Equipment and Depreciation - Fixed assets are stated at cost at the date of acquisition or estimated fair value at the date of donation in the case of gifts. Fixed asset additions with a cost equal or exceeding \$5,000 are capitalized. FFT depreciates assets using the straight-line method of depreciation over the estimated useful lives of 3 to 39 years.
- i. Contributions – Contributions received are recognized as support upon receipt and are reported as increases in net assets without donor restrictions unless they are received with donor stipulations that limit the purpose or time of use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as ‘*Net assets released from donor restrictions.*’ FFT reports restricted contributions whose restrictions are met in the same reporting period as net assets without donor restrictions.

FFT receives grant funds from government agencies to provide food and services to the community served. These are considered net assets without donor restrictions unless the contribution is clearly intended to support services in a future year.

# FOOD FOR THOUGHT

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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Note 2 Summary of significant accounting policies, continued

- j. Endowment funds – The Board of Directors of FFT has interpreted the Uniform Prudent Management of Institutions Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FFT classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations made pursuant to donor direction at the time the accumulation is added.

*Spending policy* – In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of FFT and the endowment funds
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of FFT
7. The investment policies of FFT

FFT's spending policy for endowment funds is designed so that earnings from donor restricted funds available for distribution are calculated based on a blended approach, which uses a percentage of prior year's spending adjusted for inflation and a percentage of the current year beginning portfolio value. The spending policy is reviewed annually to ensure that earnings and accumulated appreciation are adequate to sustain the distribution. In no event shall the spending rate percentage be higher than 7% unless specially authorized by a two-thirds (2/3) majority vote of the governing board.

*Funds with Deficiencies* – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires FFT to retain as a fund of perpetual duration. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to net assets without donor restriction until such time as the fair value equals or exceeds book value. As of December 31, 2021 and 2020, FFT had no endowment funds with deficiencies.

# **FOOD FOR THOUGHT**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020**

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Note 2 Summary of significant accounting policies, continued

- k. Functional Allocation of Expenses – The cost of providing programs and supporting activities has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. The expenses that are allocated include payroll and payroll related expenses, employee benefits, occupancy costs, depreciation, insurance, office supplies and expenses. The allocation is based upon estimates and assumptions made by management which consider employee effort and time spent on various functions, facilities square footage, and the nature of expense in relation to the function.
- l. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates, and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.
- m. New Accounting Pronouncement

The FASB issued ASU 2020-07, Not-For-Profit Entities (Topic 958) on *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires Organizations to present contributed nonfinancial assets (such as donated services, in-kind donations, donated stock, etc.) as a separate line item on the Statement of Activities, apart from cash donations and contributions, and disaggregate them into different categories. The standard is effective for the fiscal year beginning after June 15, 2021 with early adoption allowed. FFT adopted this standard for the year ended December 31, 2021 and applied it on a retrospective basis.

FASB Issued Accounting Standards Update 2018-08, Not-For-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new guidance helps determine if grants and contracts from resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU provides guidance to help determine whether a contribution is conditional or unconditional. Conditional contributions are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. This ASU is effective for periods beginning after December 15, 2020. FFT adopted this standard for the year ended December 31, 2021 with no effect on the financial statements.

# FOOD FOR THOUGHT

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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### Note 3 Liquidity and Availability

The following reflects FFT's financial assets at December 31, 2021 and 2020, reduced by amounts not available for general use because of donor imposed restrictions or board designations.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,089,252	\$ 1,112,040
Grants and accounts receivable	244,706	99,454
Investments (excluding endowment funds)	1,985,218	1,804,852
Prepaid expenses and deposits	35,886	68,357
	<u>3,355,062</u>	<u>3,084,703</u>
Less board designated and donor restricted assets	<u>(1,693,639)</u>	<u>(1,558,350)</u>
Assets available for general use within one year	<u>\$ 1,661,423</u>	<u>\$ 1,526,353</u>

FFT operates with a balanced budget and anticipates covering its general expenditures with existing assets and by maintaining and expanding relationships with supporters and funders who provide donations without restrictions. In addition, with the approval of the governing board, board designated assets could be used in the event of cash flow needs.

### Note 4 Grants and Accounts Receivable

Balances at December 31, 2021 and 2020, include the following:

	<u>2021</u>	<u>2020</u>
Contributions & legacy gifts	\$ 188,732	\$ 19,457
Government grants	55,974	79,997
	<u>\$ 244,706</u>	<u>\$ 99,454</u>



# FOOD FOR THOUGHT

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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### Note 5 Investments

Investments include endowment funds and non-restricted funds. Investments are measured on a recurring basis using quoted market values (level 1). Investments at December 31, 2021 and 2020 include the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 51,961	\$ 49,665
Exchange traded funds	972,598	958,477
Mutual funds	<u>3,355,876</u>	<u>3,033,711</u>
	<u>\$ 4,380,435</u>	<u>\$ 4,041,853</u>

Investment returns as reflected in the Statements of Activities for the years ended December 31, 2021 and 2020, include the following:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 111,101	\$ 70,510
Realized & Unrealized gains	<u>301,251</u>	<u>405,603</u>
	412,352	476,113
Less management fees	<u>(16,527)</u>	<u>(14,029)</u>
	<u>\$ 395,825</u>	<u>\$ 462,084</u>

# FOOD FOR THOUGHT

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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### Note 6 Property & equipment

Balances at December 31, 2021 and 2020 include the following:

	<u>2021</u>	<u>2020</u>
Building & improvements	\$ 778,891	\$ 778,891
Furniture & fixtures	14,235	14,235
Vehicles	59,296	59,296
Equipment	156,323	63,307
	<u>1,008,745</u>	<u>915,729</u>
Less Accumulated depreciation	(708,053)	(654,017)
	<u>300,692</u>	<u>261,712</u>
Land	312,156	312,156
Trailer remodel-in-progress	110,111	-
	<u>\$ 722,959</u>	<u>\$ 573,868</u>

Depreciation expense for the years ended December 31, 2021 and 2020, was \$57,772 and \$48,514, respectively.

### Note 7 Accrued vacation

Unused employee vacation time benefits are recognized as liabilities of FFT. The value of accrued benefits at December 31, 2021 and 2020, was \$72,880 and \$75,198, respectively. Amounts are included in Accrued payroll expenses on the Statements of Position.

### Note 8 Note payable

On April 11, 2020, FFT was granted a loan totaling \$235,300, pursuant to the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provided loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses. Payments on the loan are deferred for six months from the date of disbursement of loan proceeds. However, interest continues to accrue during the deferment period. The loan bears interest at a rate of 1% per annum, payable monthly. The note and accrued interest are forgivable if loan proceeds are used for qualifying purposes, including payroll, employee benefits, rent and utilities.

The total amount forgiven on January 19, 2021, was \$237,032 which includes the loan principle and accrued interest. This amount is included under government grants in the Statement of Activities.

# FOOD FOR THOUGHT

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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Note 9 Net Assets Classification

At December 31, 2021, net assets with donor restrictions include the following:

	<u>2021</u>	<u>2020</u>
Food & nutrients	\$ 248,639	\$ 158,193
Technology/Equip.	45,000	50,694
Project Africa	-	157
Endowment funds	<u>1,605,022</u>	<u>1,605,022</u>
 Total net assets with donor restrictions	 <u>\$ 1,898,661</u>	 <u>\$ 1,814,066</u>

At times donations received without donor restrictions are designated by FFT's board of directors as board designated funds. These funds consist of funds with no donor or legal restrictions but, through board resolutions, have been set aside for specific purposes.

Board designated net assets consist of the following at December 31, 2021 and 2020:

Operating reserve	\$ 1,000,000
Capital improvement reserve	300,000
Maintenance reserve	<u>100,000</u>
 Total board designated net assets	 <u>\$ 1,400,000</u>

These funds are reported in the Statements of Position as net assets without donor restrictions.

# FOOD FOR THOUGHT

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

Note 10 Endowment Funds

Changes in endowment assets for the year ended December 31, 2021 are as follows:

	With Donor Restrictions	Without Donor Restrictions	Total
Balance, January 1, 2021	\$ 1,605,022	\$ 615,175	\$ 2,220,197
Interest & Dividends Realized & Unrealized gains	-	60,522	60,522
Management fees	-	206,038	206,038
Appropriation of assets for expenditure	-	(9,020)	(9,020)
	-	(82,521)	(82,521)
Balance, December 31, 2021	\$ 1,605,022	\$ 790,194	\$ 2,395,216

Changes in endowment assets for the year ended December 31, 2020 were as follows:

	With Donor Restrictions	Without Donor Restrictions	Total
Balance, January 1, 2020	\$ 1,605,022	\$ 476,076	\$ 2,081,098
Interest & Dividends Realized & Unrealized gains	-	37,183	37,183
Management fees	-	239,169	239,169
Appropriation of assets for expenditure	-	(7,681)	(7,681)
	-	(129,572)	(129,572)
Balance, December 31, 2020	\$ 1,605,022	\$ 615,175	\$ 2,220,197

Note 11 Pension plan

FFT provides a defined contribution pension plan under Section 403(b) of the Internal Revenue Code. Eligible employees may make contributions to the plan up to the maximum amount allowed. The plan calls for matching contributions up to a maximum of 5% of a participant's compensation. For the years ended December 31, 2021 and 2020, FFT incurred \$43,178 and \$36,953, respectively, in such matching contributions.

# FOOD FOR THOUGHT

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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### Note 12 Uncertain tax positions

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by FFT in their federal and state exempt agency tax returns are more likely than not to be sustained upon examination. FFT's evaluation on December 31, 2021 revealed no tax positions that would have a material impact on the financial statements.

Generally, FFT's tax returns remain open for federal income tax examination for three years from the date of filing, and four years for the state of California. FFT classifies income tax related interest and penalties, if any, in interest expense and miscellaneous expenses, respectively.

### Note 13 In-kind donations

In-kind donations included in the statement of activities includes the following:

	<u>2021</u>	<u>2020</u>
Food & nutrients	\$ 476,447	\$ 453,502
Office Trailer	100,000	-
Equity stock	<u>25,278</u>	<u>24,527</u>
Total In-kind donations	<u>\$ 601,725</u>	<u>\$ 478,029</u>

FFT's policy is to sell equity stock received and reinvest the funds in assets aligned with the rest of the investment portfolio. Regarding the office trailer, FFT modified it to provide additional office space for program and support services.

### Note 14 Volunteers

During the year ended December 31, 2021 and 2020, FFT received over 12,705 hours and 9700 hours from 800 and 730 volunteers, respectively. The volunteers contributed their time in support of FFT's programs and support functions. The value of the contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

# **FOOD FOR THOUGHT**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020**

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Note 15 Legacy gift

During the year ended December 31, 2020, FFT was notified of an interest in several real properties in Sonoma County. To facilitate distribution, the properties were sold and the proceeds will be distributed to the beneficiaries. At December 31, 2021, the estate trustee had not finalized all the legal proceedings to allow for distribution.

Note 16 Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 presentation with no effect on previously reported change in net assets.

Note 17 Subsequent events

Management has evaluated subsequent events through August 2, 2022, which is the date the financial statements were available to be issued, and determined that there are no events requiring disclosure in the financial statements.