



**Nourish
California**

Nourish California

(Formerly California Food Policy Advocates)

Financial Statements

**For the year ended
June 30, 2020**

With Independent Auditors' Report Thereon

NOURISH CALIFORNIA

(A California Not-for-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Nourish California

We have audited the accompanying financial statements of Nourish California (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nourish California as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have previously audited Nourish California's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

September 15, 2020
Danville, California

NOURISH CALIFORNIA

Statements of Financial Position June 30, 2020 and 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	\$ 843,761	\$ 423,339
Accounts receivable	4,585	27,964
Grants receivable	245,571	301,600
Investments	521,206	494,967
Prepaid expenses	22,870	14,038
Total current assets	<u>1,637,993</u>	<u>1,261,908</u>
Noncurrent assets:		
Right of use asset - premises	680,501	802,480
Grants receivable - long term, net of discount	119,409	-
Deposits and other assets	25,610	25,610
Property and equipment, net	-	1,852
	<u>\$ 2,463,513</u>	<u>\$ 2,091,850</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 8,080	\$ 19,749
Accrued payroll liabilities	41,976	39,575
Lease payable - current portion	111,111	121,357
Total current liabilities	<u>161,167</u>	<u>180,681</u>
Deposits held	2,096	700
Lease payable - noncurrent portion	570,012	681,123
Total liabilities	<u>733,275</u>	<u>862,504</u>
Net assets:		
Without donor restrictions	499,002	495,303
With donor restrictions	1,231,236	734,043
Total net assets	<u>1,730,238</u>	<u>1,229,346</u>
	<u>\$ 2,463,513</u>	<u>\$ 2,091,850</u>

NOURISH CALIFORNIA

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020
(with Summarized Financial Information for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenue and support:				
Conference fees and membership dues	\$ 12,168	\$ -	\$ 12,168	\$ 180,932
Contributions, donations and grants	314,758	1,723,266	2,038,024	643,550
Contract revenue	5,000	-	5,000	78,010
Net investment income	26,240	-	26,240	45,599
Other	26,550	-	26,550	28,331
Total	384,716	1,723,266	2,107,982	976,422
Net assets released from restriction	1,220,482	(1,220,482)	-	-
Change in unamortized discount	-	(5,591)	(5,591)	8,226
Total revenue and support	1,605,198	497,193	2,102,391	984,648
Expenses:				
Program activities	1,310,693	-	1,310,693	1,443,645
General and administrative	85,759	-	85,759	138,502
Fundraising	37,518	-	37,518	30,457
Total expenses	1,433,970	-	1,433,970	1,612,604
Increase (decrease) in net assets before return of funds held as fiscal agent	171,228	497,193	668,421	(627,956)
Return of funds held as fiscal agent	(167,529)	-	(167,529)	-
Increase in net assets	3,699	497,193	500,892	-
Net assets at beginning of year	495,303	734,043	1,229,346	1,857,302
Net assets at end of year	\$ 499,002	\$ 1,231,236	\$ 1,730,238	\$ 1,229,346

NOURISH CALIFORNIA

Statements of Cash Flows For the Years Ended June 30, 2020 and 2019

	2020	2019
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 668,421	\$ (627,956)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	1,852	2,516
Unrealized investment gains, net	(3,674)	(10,021)
Changes in:		
Accounts receivable	23,379	45
Grants receivable	(63,380)	600,674
Prepaid expenses	(8,832)	2,945
Right of use asset - premises	121,979	-
Accounts payable and accrued liabilities	(11,669)	(29,987)
Accrued payroll liabilities	2,401	8,884
Deposits held	1,396	(1,475)
Cash provided by (used for) operating activities	731,873	(54,375)
<i>Investing activities:</i>		
Purchase and acquisition of investments	(22,565)	(56,537)
Proceeds from disposition of investments	-	20,961
Capitalization of right of use asset	-	(802,480)
Return of funds held as fiscal agent	(167,529)	-
Cash used for investing activities	(190,094)	(838,056)
<i>Financing activities:</i>		
Establishment of lease payable	-	802,480
Principal payments applied to lease payable	(121,357)	-
Cash (used for) provided by financing activities	(121,357)	802,480
Increase (decrease) in cash and cash equivalents	420,422	(89,951)
Cash and cash equivalents at beginning of year	423,339	513,290
Cash and cash equivalents at end of year	\$ 843,761	\$ 423,339
<i>Additional cash flow information:</i>		
State registration taxes paid	\$ 150	\$ 150
Interest paid	\$ -	\$ -

NOURISH CALIFORNIA

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

(with Summarized Financial Information for the Year Ended June 30, 2019)

	General and			2020 Total	2019 Total
	Program Activities	Admin- istrative	Fund- raising		
Personnel expenses	\$ 816,599	\$ 34,253	\$ 31,365	\$ 882,217	\$ 898,856
Legal, accounting and professional fees	141,423	40,082	-	181,505	318,983
Occupancy	123,734	2,726	4,469	130,929	129,365
Grants	93,198	-	-	93,198	-
Travel, conferences and meetings	64,890	1,733	388	67,011	154,106
Lobbying fees	38,030	-	-	38,030	36,309
Office and supplies	31,457	3,076	1,242	35,775	63,999
Insurance	1,362	1,995	54	3,411	7,332
Depreciation	-	1,852	-	1,852	2,516
Miscellaneous	-	42	-	42	1,138
Totals	\$ 1,310,693	\$ 85,759	\$ 37,518	\$ 1,433,970	\$ 1,612,604

Notes to Financial Statements
June 30, 2020

1. Organization

Nourish California (previously California Food Policy Advocates) was incorporated in August 1992 as a California nonprofit public benefit corporation dedicated to improving the health and well-being of low-income Californians by increasing their access to nutritious and affordable food.

2. Summary of Significant Accounting Policies

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

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

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash and Cash Equivalents – Nourish California's cash consists of cash on deposit in checking and savings accounts. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject Nourish California to concentrations of credit risk consist principally of cash and cash equivalents and deposits. Nourish California maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Nourish California manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, Nourish California has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Nourish California's mission.

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

(continued)

Notes to Financial Statements
June 30, 2020

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

Property and Equipment – Nourish California’s policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. Nourish California reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

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

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

Level 1

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

Level 2

Other observable inputs, either directly or indirectly, including:

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

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

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

(continued)

Notes to Financial Statements
June 30, 2020

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

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

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but has opted not to do so as of June 30, 2020 and 2019.

Net Assets with Donor Restrictions

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

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

Donated Services and In-Kind Contributions – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as personnel expenses, occupancy, insurance, and similar overhead) have been allocated based on time and effort using Nourish California's payroll allocations. Other expenses (such as professional fees and other direct costs) have been allocated in accordance with the specific services received.

(continued)

Notes to Financial Statements
June 30, 2020

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

Revenue and Revenue Recognition - Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

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

Income Taxes – Nourish California is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Nourish California is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Nourish California files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income, if any.

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

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

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by multiple ASUs. This new pronouncement is effective for fiscal years beginning after December 15, 2021, but Nourish California has elected early implementation.

The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

(continued)

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Notes to Financial Statements June 30, 2020

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

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, the Organization has incorporated these clarifying standards within the audited financial statements.

3. Liquidity

Nourish California regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Nourish California has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Nourish California considers all expenditures related to its ongoing activities in support of food policy initiatives to increase low-income Californians' access to healthy food to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, Nourish California operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table shows the total financial assets held by Nourish California and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Cash and cash equivalents	\$ 843,761	\$ 423,339
Accounts receivable	4,585	27,964
Grants receivable, current portion	245,571	301,600
Investments	521,206	494,967
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs and projects	(463,599)	(463,599)
Net assets of CCFP (see note 10)	-	(167,529)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,151,524</u>	<u>\$ 565,672</u>

A significant amount of the support received by Nourish California is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, Nourish California must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Nourish California's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Nourish California's goal is to generally maintain financial assets to meet six months of operating expenses.

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Notes to Financial Statements June 30, 2020

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30:

	2020	2019
Non-interest bearing accounts	\$ 843,761	\$ 266,266
Interest bearing accounts	-	15,999
PayPal account	-	141,074
Total cash and cash equivalents	<u>\$ 843,761</u>	<u>\$ 423,339</u>

At times, deposits in the various financial institutions may exceed federally insured limits. Nourish California attempts to limit its credit risk associated with cash and cash equivalents by utilizing highly rated financial institutions. Nourish California attempts to limit its credit risk associated with cash and cash equivalents by utilizing high quality financial institutions.

5. Accounts Receivable

Accounts receivable of \$4,585 and \$27,964 at June 30, 2020 and 2019, respectively, are due from various organizations and are reflected at their net realizable value. Nourish California uses the direct write-off method with regards to receivables deemed uncollectible. There were no bad debts for the years ended June 30, 2020 or 2019. Management has evaluated the accounts receivable as of June 30, 2020 and determined that such amounts are fully collectible.

6. Grants Receivable

Grants receivable of \$364,980 and \$301,600 (current and noncurrent combined) at June 30, 2020 and 2019, respectively, represent funds due from various organizations and are reflected at their net realizable value. Grants receivable are expected to be collected as follows:

	2020	2019
Within one year	\$ 245,571	\$ 301,600
In one to five years	125,000	-
Subtotal	370,571	301,600
Less: Unamortized discount	(5,591)	-
Subtotal	364,980	301,600
Total amounts due within one year	(245,571)	(301,600)
Total grants receivable long-term, net	<u>\$ 119,409</u>	<u>\$ -</u>

Grants receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.29% (based on certain relevant data regarding the type of receivable). The changes in the unamortized discount during the years ended June 30, 2020 and 2019 of (\$5,591) and \$8,226, respectively, are reflected as a component of income on the statement of activities and changes in net assets. Management has evaluated the receivables as of June 30, 2020 and determined that such amounts are fully collectible based on the financial strength of the donors involved.

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Notes to Financial Statements June 30, 2020

7. Investments and Fair Value Measurements

Investments consist of the following at June 30:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 513,681	\$ 521,206	\$ 491,116	\$ 494,967

Composition of investment income is summarized as follows for the years ended June 30:

	2020	2019
Interest and dividends	\$ 14,354	\$ 13,819
Realized losses	-	(536)
Capital gains distributions	8,212	22,296
Change in unrealized gains and losses	3,674	10,020
Total investment income (net)	\$ 26,240	\$ 45,599

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

	Totals	Level 1	Level 2	Level 3
Mutual funds	\$ 521,206	\$ 521,206	\$ -	\$ -

Composition of assets utilizing fair value measurements at June 30, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Mutual funds	\$ 494,967	\$ 494,967	\$ -	\$ -

8. Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2019
Furniture and equipment	\$ 97,619	\$ 97,619
Less: accumulated depreciation	(97,619)	(95,767)
Property and equipment, net	\$ -	\$ 1,852

Depreciation expense amounted to \$1,852 and \$685 for the years ended June 30, 2020 and 2019, respectively.

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Notes to Financial Statements June 30, 2020

9. Right of Use Asset and Leases

Nourish California leases office space in Oakland under a multi-year operating lease expiring September 30, 2027. As of June 30, 2020, the lease requires a monthly rental payment of \$7,394, with stipulated annual inflation-adjustment increases each October 1. Nourish California also leases office space in Los Angeles under an operating lease expiring May 31, 2021 which requires a monthly rental payment of \$3,219 as of June 30, 2020, with stipulated annual increases of 3.0%.

In accordance with *ASU 2016-02, Leases*, Nourish California is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. Accordingly, Nourish California has recorded a total lease liability in the amount of \$681,123 and \$802,480 at June 30, 2020 and 2019, respectively, for its Oakland and Los Angeles offices (split between current amount of \$111,111 and noncurrent amount of \$570,012 at June 30, 2020) and a corresponding right of use asset for the premises in the amount of \$680,501 and \$802,480 at June 30, 2020 and 2019, respectively. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 4.0%.

At June 30, 2020, future minimum lease payments are estimated as follows:

Year ending June 30, 2021	\$ 128,992
Year ending June 30, 2022	95,798
Year ending June 30, 2023	98,672
Year ending June 30, 2024	101,632
Thereafter	351,526

Rent expense amounted to \$130,929 and \$129,175 for the years ended June 30, 2020 and 2019, respectively, and is reflected as occupancy expense on the statement of functional expenses. Rent expense for the year ending June 30, 2020 includes \$622 in amortization of the right of use asset.

Nourish California subleases certain portions of its Oakland and Los Angeles office spaces under separate month-to-month sublease agreements. During the years ended June 30, 2020 and 2019, Nourish California recognized \$26,550 and \$20,871, respectively, in sublease income.

10. Fiscal Agent

Prior to August 19, 2019, Nourish California acted as the fiscal agent for Child Care Food Program Roundtable (CCFP). CCFP activity during the years ended June 30, 2020 and 2019 is summarized as follows:

	2020	2019
CCFP net assets at beginning of year	\$ 167,529	\$ 138,875
Conference income, dues, donations and grants	-	185,188
Expenditures	-	(156,534)
Return of funds held	(167,529)	-
CCFP net assets at end of year	\$ -	\$ 167,529

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Notes to Financial Statements June 30, 2020

11. Net Assets

Nourish California recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expire. Net assets with donor restrictions consist of the following at June 30:

<u>Restricted for:</u>	<u>2020</u>	<u>2019</u>
Future periods	\$ 773,228	\$ 219,375
Northern California programs	34,438	58,399
Southern California programs	89,215	101,691
Other specific programs and projects	339,946	354,578
Unamortized discount	(5,591)	-
Total net assets with donor restrictions	<u>\$ 1,231,236</u>	<u>\$ 734,043</u>

During the years ended June 30, 2020 and 2019, contributions to net assets with donor restrictions amounted to \$1,723,266 and \$520,764, respectively. Net assets released from restrictions amounted to \$1,220,482 and 1,218,949 during the years ended June 30, 2020 and 2019, respectively.

12. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, Nourish California is required to record a liability for the estimated amounts of compensation for vacation. Employees are permitted to accrue a specific number of hours for estimated future absences, and such accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued benefits amounted to \$41,666 and \$37,249 at June 30, 2020 and 2019, respectively, and are included with accrued payroll liabilities on the statement of financial position. Pursuant to a Board resolution, certain employees may also be permitted to take up to a two-month sabbatical leave if certain conditions are met. No accrual has been established for any potential sabbatical costs as of June 30, 2020 or 2019.

13. Retirement Plan

Nourish California offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 403(b). Substantially all full-time employees are eligible for participation in the plan and are 100% vested in their deferred compensation balances. Nourish California makes contributions to the plan as determined annually by the organization's Board of Directors. During the years ended June 30, 2020 and 2019, Nourish California contributed \$30,532 and \$24,119, respectively, to the plan.

Notes to Financial Statements
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14. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future program activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Nourish California to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond Nourish California's control, such as generosity of donors and general economic conditions, (c) Employment contracts and service agreements with outside contractors, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

15. COVID-19

In late 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which Nourish California conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by Nourish California as a result of these events.

16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Nourish California has evaluated subsequent events through September 15, 2020, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which are required to be disclosed.