Nourish California

Financial Statements

For the year ended
June 30, 2021
With Independent Auditors' Report Thereon

Contents

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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, 2021 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.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nourish California as of June 30, 2021 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

October 14, 2021
Danville, California

Statements of Financial Position
June 30, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	**$ 605,629**	$ 843,761
Accounts receivable	**1,534**	4,585
Grants receivable	**442,543**	245,571
Investments	**624,469**	521,206
Prepaid expenses	**26,006**	22,870
Total current assets	**1,700,181**	1,637,993
Noncurrent assets:		
Right of use asset - premises	**563,362**	680,501
Grants receivable - long term, net of discount	**-**	119,409
Deposits and other assets	**25,610**	25,610
	$ 2,289,153	$ 2,463,513

LIABILITIES AND NET ASSETS

	2021	2020
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 43,470**	$ 8,080
Accrued payroll liabilities	**50,503**	41,976
Lease payable - current portion	**74,340**	111,111
Total current liabilities	**168,313**	161,167
Deposits held	**2,096**	2,096
Lease payable - noncurrent portion	**495,672**	570,012
Total liabilities	**666,081**	733,275
Net assets:		
Without donor restrictions	**595,472**	499,002
With donor restrictions	**1,027,600**	1,231,236
Total net assets	**1,623,072**	1,730,238
	$ 2,289,153	$ 2,463,513

Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021
(with Summarized Financial Information for the Year Ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Revenue and support:				
Conference fees and membership dues	$ -	$ -	**$ -**	$ 12,168
Contributions, donations and grants	158,988	1,266,132	**1,425,120**	2,038,024
Contract revenue	20,700	-	**20,700**	5,000
Net investment income	103,293	-	**103,293**	26,240
Other	21,054	-	**21,054**	26,550
Total	304,035	1,266,132	**1,570,167**	2,107,982
Net assets released from restriction	1,475,359	(1,475,359)	**-**	-
Change in unamortized discount	-	5,591	**5,591**	(5,591)
Total revenue and support	1,779,394	(203,636)	**1,575,758**	2,102,391
Expenses:				
Program activities	1,525,249	-	**1,525,249**	1,310,693
General and administrative	89,890	-	**89,890**	85,759
Fundraising	67,785	-	**67,785**	37,518
Total expenses	1,682,924	-	**1,682,924**	1,433,970
Increase (decrease) in net assets before return of funds held as fiscal agent	96,470	(203,636)	**(107,166)**	668,421
Return of funds held as fiscal agent	-	-	**-**	(167,529)
Increase (decrease) in net assets	96,470	(203,636)	**(107,166)**	500,892
Net assets at beginning of year	499,002	1,231,236	**1,730,238**	1,229,346
Net assets at end of year	$ 595,472	$ 1,027,600	**$ 1,623,072**	$ 1,730,238

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

	2021	2020
Operating activities:		
Increase (decrease) in net assets	**$ (107,166)**	$ 668,421
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	**-**	1,852
Change in unamortized discount	**(5,591)**	5,591
Unrealized investment gains, net	**(69,456)**	(3,674)
Changes in:		
Accounts receivable	**3,051**	23,379
Grants receivable	**(71,972)**	(68,971)
Prepaid expenses	**(3,136)**	(8,832)
Right of use asset - premises	**117,139**	121,979
Accounts payable and accrued liabilities	**35,390**	(11,669)
Accrued payroll liabilities	**8,527**	2,401
Deposits held	**-**	1,396
Cash provided by (used for) operating activities	**(93,214)**	731,873
Investing activities:		
Purchase and acquisition of investments	**(33,807)**	(22,565)
Return of funds held as fiscal agent	**-**	(167,529)
Cash used for investing activities	**(33,807)**	(190,094)
Financing activities:		
Principal payments applied to lease payable	**(111,111)**	(121,357)
Cash used for financing activities	**(111,111)**	(121,357)
Increase (decrease) in cash and cash equivalents	**(238,132)**	420,422
Cash and cash equivalents at beginning of year	**843,761**	423,339
Cash and cash equivalents at end of year	**$ 605,629**	$ 843,761
Additional cash flow information:		
State registration taxes paid	**$ 150**	$ 150
Interest paid	**$ -**	$ -

Statement of Functional Expenses
For the Year Ended June 30, 2021
(with Summarized Financial Information for the Year Ended June 30, 2020)

	Program Activities							
	Advocacy	State Policy	Other Programs	Total Program Activities	General and Admin-istrative	Fund-raising	2021 Total	2020 Total
Depreciation	$ -	$ -	$ -	**$ -**	$ -	$ -	**$ -**	$ 1,852
Grants	-	28,100	500	**28,600**	-	-	**28,600**	93,198
Insurance	-	-	4,827	**4,827**	-	-	**4,827**	3,411
Legal, accounting and professional fees	39,899	160,035	153,930	**353,864**	43,039	36,000	**432,903**	181,505
Lobbying fees	-	58,028	-	**58,028**	-	-	**58,028**	38,030
Miscellaneous	-	-	322	**322**	540	-	**862**	42
Occupancy	31,554	53,051	37,651	**122,256**	12,616	3,503	**138,375**	130,929
Office and supplies	8,024	10,620	11,084	**29,728**	5,084	1,007	**35,819**	35,775
Personnel expenses	245,357	371,203	309,487	**926,047**	28,291	27,275	**981,613**	882,217
Travel, conferences and meetings	770	422	385	**1,577**	320	-	**1,897**	67,011
Totals	$ 325,604	$ 681,459	$ 518,186	**$1,525,249**	$ 89,890	$ 67,785	**$1,682,924**	$1,433,970

Notes to Financial Statements
June 30, 2021

1. Organization

Nourish California 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)

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:

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

<u>Level 2</u>
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.

<u>Level 3</u>
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)

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

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

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

Net Assets with Donor Restrictions
Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates 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 in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires Shotgun to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, professional services, among others) have been allocated based on time and effort using the organization's payroll allocations. Other expenses have been presented based on direct relationships or, if indirect, other rational allocation methods.

(continued)

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

Revenue and Revenue Recognition - Revenue is recognized in accordance with authoritative guidance, including ASU 2018-08, Not-for-Profit Entities (Topic 605) and ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

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 consisting of sublease rental income.

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. This 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)

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.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of October 14, 2021 (the date of the Independent Auditors' Report), Nourish California management has made this evaluation and has determined that Nourish California has the ability to continue as a going concern.

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

3. Cash and Cash Equivalents

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

	2021	2020
Noninterest-bearing accounts	$ 288,894	$ 843,761
Interest-bearing accounts	300,030	-
PayPal account	16,705	-
Total cash and cash equivalents	$ 605,629	$ 843,761

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. Funds in interest-bearing accounts earned interest at a rate of 0.05% per annum as of June 30, 2021. Interest income from cash accounts amounted to $30 for the year ended June 30, 2021. There was no interest income for the year ended June 30, 2020.

4. 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:

	2021	2020
Cash and cash equivalents	**$ 605,629**	$ 843,761
Accounts receivable	**1,534**	4,585
Grants receivable, current portion	**442,543**	245,571
Investments	**624,469**	521,206
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs and projects	**(435,924)**	(463,599)
Financial assets available to meet general expenditures over the next twelve months	**$ 1,238,251**	$ 1,151,524

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.

5. Accounts Receivable

Accounts receivable of $1,534 and $4,585 at June 30, 2021 and 2020, 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, 2021 or 2020. Management has evaluated the accounts receivable as of June 30, 2021 and determined that such amounts are fully collectible.

6. Grants Receivable

Grants receivable of $442,543 and $364,980 (current and noncurrent combined) at June 30, 2021 and 2020, respectively, represent funds due from various organizations and are reflected at their net realizable value. Grants receivable are expected to be collected as follows:

	2021	2020
Within one year	**$ 442,543**	$ 245,571
In one to five years	**-**	125,000
Subtotal	**442,543**	370,571
Less: Unamortized discount	**-**	(5,591)
Subtotal	**442,543**	364,980
Total amounts due within one year	**-**	(245,571)
Total grants receivable long-term, net	**$ 442,543**	$ 119,409

The changes in the unamortized discount during the years ended June 30, 2021 and 2020 of $5,591 and ($5,591), 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, 2021 and determined that such amounts are fully collectible based on the financial strength of the donors involved.

7. Investments and Fair Value Measurements

Investments consist of the following at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	$ 547,489	**$ 624,469**	$ 513,681	$ 521,206

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

	2021	2020
Interest and dividends	**$ 12,979**	$ 14,354
Capital gains distributions	**20,828**	8,212
Change in unrealized gains and losses	**69,456**	3,674
Total investment income (net)	**$ 103,263**	$ 26,240

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

	Totals	Level 1	Level 2	Level 3
Mutual funds	$ 624,469	$ 624,469	$ -	$ -

(continued)

7. Investments and Fair Value Measurements *(continued)*

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	$ -	$ -

8. Property and Equipment

Property and equipment consists of the following at June 30:

	2020	2021
Furniture and equipment	**$ 97,619**	$ 97,619
Less: accumulated depreciation	**(97,619)**	(97,619)
Property and equipment, net	**$ -**	$ -

Depreciation expense amounted to $1,852 for the year ended June 30, 2020. There was no depreciation expense during the year June 30, 2021. Property and equipment were fully depreciated at June 30, 2021 and June 30, 2020.

9. 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 year ended June 30, 2020 is summarized as follows:

	2020
CCFP net assets at beginning of year	**$ 167,529**
Conference income, dues, donations and grants	**-**
Expenditures	**-**
Return of funds held	**(167,529)**
CCFP net assets at end of year	**$ -**

There was no CCFP activity during the year ended June 30, 2021.

10. 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, 2021, the lease requires a monthly rental payment of $7,807, with stipulated annual inflation-adjustment increases each October 1. Nourish California also leased office space in Los Angeles under an operating lease which expired May 31, 2021.

(continued)

10. Right of Use Asset and Leases *(continued)*

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 $570,012 and $681,123 at June 30, 2021 and 2020, respectively, for its Oakland and Los Angeles offices (split between current amount of $74,340 and noncurrent amount of $495,672 at June 30, 2021) and a corresponding right of use asset for the premises in the amount of $563,362 and $680,501 at June 30, 2021 and 2020, 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, 2021, future minimum lease payments are estimated as follows:

Year ending June 30, 2022	$	95,798
Year ending June 30, 2023		98,672
Year ending June 30, 2024		101,632
Year ending June 30, 2025		104,681
Thereafter		246,845

Rent expense amounted to $138,375 and $130,929 for the years ended June 30, 2021 and 2020, respectively, and is reflected as occupancy expense on the statement of functional expenses.

Nourish California subleases certain portions of its office spaces under separate month-to-month sublease agreements. During the years ended June 30, 2021 and 2020, Nourish California recognized $20,804 and $26,550, respectively, in sublease income.

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:

Restricted for:		**2021**		**2020**
Future periods	**$**	**591,675**	$	773,228
Northern California programs		**116,719**		34,438
Southern California programs		**119,206**		89,215
Other specific programs and projects		**200,000**		339,946
Unamortized discount		**-**		(5,591)
Total net assets with donor restrictions	**$**	**1,027,600**	$	1,231,236

During the years ended June 30, 2021 and 2020, contributions to net assets with donor restrictions amounted to $1,266,132 and $1,723,266, respectively. Net assets released from restrictions amounted to $1,475,359 and $1,220,482 during the years ended June 30, 2021 and 2020, 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 and sick leave. 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 $49,561 and $41,666 at June 30, 2021 and 2020, 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, 2021 or 2020.

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, 2021 and 2020, Nourish California contributed $30,950 and $30,532, respectively, to the plan.

14. Commitments and Contingencies

In the normal course of business Nourish California could be subject to certain commitments and contingencies which might not be fully 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

Although the COVID-19 threat has abated, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Nourish California conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management monitors and evaluates its options. These financial statements do not contain any adjustments related to economic losses which may or may not be realized.

16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Nourish California has evaluated subsequent events through October 14, 2021, 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.