



**Nourish  
California**

# **Nourish California**

**Financial Statements**

**For the Year Ended  
June 30, 2022**

With Independent Auditors' Report Thereon

# NOURISH CALIFORNIA

(A California Not-for-Profit Corporation)

## Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Audited Financial Statements:</b>	
Statements of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 15



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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Nourish California

### ***Opinion***

We have audited the accompanying financial statements of Nourish California (a California nonprofit organization) which comprise of the statement of financial position as of June 30, 2022 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nourish California as of June 30, 2022, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nourish California and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Key Audit Matters***

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

## **INDEPENDENT AUDITORS' REPORT** *(continued)*

### ***Responsibilities of Management for the Financial Statements***

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 Nourish California's ability to continue as a going concern for one year after the date that the financial statements are available to be issued January 27, 2023.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- 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 Nourish California'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nourish California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited Nourish California's financial statements for the year ended June 30, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***January 27, 2023***  
***Danville, California***

*Regalia & Associates*

# NOURISH CALIFORNIA

## Statements of Financial Position June 30, 2022 and 2021

### ASSETS

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 632,835	\$ 605,629
Accounts receivable	-	1,534
Grants receivable	412,500	442,543
Investments	574,504	624,469
Prepaid expenses	10,797	26,006
Total current assets	<u>1,630,636</u>	<u>1,700,181</u>
Noncurrent assets:		
Right of use asset - premises	482,263	563,362
Deposits and other assets	25,610	25,610
	<u>\$ 2,138,509</u>	<u>\$ 2,289,153</u>

### LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 37,114	\$ 43,470
Accrued payroll liabilities	48,376	50,503
Lease payable - current portion	80,296	74,340
Total current liabilities	<u>165,786</u>	<u>168,313</u>
Noncurrent liabilities:		
Deposits held	2,096	2,096
Lease payable - noncurrent portion	415,376	495,672
Total liabilities	<u>583,258</u>	<u>666,081</u>
Net assets:		
Without donor restrictions	504,546	595,472
With donor restrictions	1,050,705	1,027,600
Total net assets	<u>1,555,251</u>	<u>1,623,072</u>
	<u>\$ 2,138,509</u>	<u>\$ 2,289,153</u>

## NOURISH CALIFORNIA

**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2022**  
*(with Summarized Financial Information for the Year Ended June 30, 2021)*

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenue and support:				
Contributions, donations and grants	\$ 324,384	\$ 1,280,000	\$ <b>1,604,384</b>	\$ 1,425,120
Contract revenue	500	-	<b>500</b>	20,700
Net investment income (loss)	(49,898)	-	<b>(49,898)</b>	103,293
Other	10,727	-	<b>10,727</b>	21,054
Total	285,713	1,280,000	<b>1,565,713</b>	1,570,167
Net assets released from restriction	1,256,895	(1,256,895)	-	-
Change in unamortized discount	-	-	-	5,591
Total revenue and support	1,542,608	23,105	<b>1,565,713</b>	1,575,758
Expenses:				
Program activities	1,473,805	-	<b>1,473,805</b>	1,525,249
General and administrative	137,975	-	<b>137,975</b>	89,890
Fundraising	21,754	-	<b>21,754</b>	67,785
Total expenses	1,633,534	-	<b>1,633,534</b>	1,682,924
Increase (decrease) in net assets	(90,926)	23,105	<b>(67,821)</b>	(107,166)
Net assets at beginning of year	595,472	1,027,600	<b>1,623,072</b>	1,730,238
Net assets at end of year	\$ 504,546	\$ 1,050,705	<b>\$ 1,555,251</b>	\$ 1,623,072

# NOURISH CALIFORNIA

## Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

	2022	2021
<i>Operating activities:</i>		
Decrease in net assets	\$ (67,821)	\$ (107,166)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Change in unamortized discount	-	(5,591)
Unrealized investment losses (gains)	96,806	(69,456)
Changes in:		
Accounts receivable	1,534	3,051
Grants receivable	30,043	(71,972)
Prepaid expenses	15,209	(3,136)
Right of use asset - premises	81,099	117,139
Accounts payable and accrued liabilities	(6,356)	35,390
Accrued payroll liabilities	(2,127)	8,527
Cash provided by (used for) operating activities	148,387	(93,214)
 <i>Investing activities:</i>		
Purchase and acquisition of investments	(46,841)	(33,807)
Cash used for investing activities	(46,841)	(33,807)
 <i>Financing activities:</i>		
Principal payments applied to lease payable	(74,340)	(111,111)
Cash used for financing activities	(74,340)	(111,111)
Increase (decrease) in cash and cash equivalents	27,206	(238,132)
Cash and cash equivalents at beginning of year	605,629	843,761
Cash and cash equivalents at end of year	\$ 632,835	\$ 605,629
 <i>Additional cash flow information:</i>		
State registration taxes paid	\$ 220	\$ 150
Interest paid	\$ -	\$ -

## NOURISH CALIFORNIA

**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**  
*(with Summarized Financial Information for the Year Ended June 30, 2021)*

	Program Activities			Total Program Activities	General and Admin- istrative		Fund- raising	2022 Total	2021 Total
	Advocacy	State Policy	Other Programs						
Grants	\$ -	\$ 59,500	\$ 9,000	\$ 68,500	\$ -	\$ -	\$ 68,500	\$ 28,600	
Insurance	350	582	441	1,373	4,891	21	6,285	4,827	
Legal, accounting and professional fees	31,275	108,529	181,508	321,312	96,003	-	417,315	432,903	
Lobbying fees	-	29,014	-	29,014	-	-	29,014	58,028	
Miscellaneous	-	-	411	411	450	-	861	862	
Occupancy	22,349	63,600	32,231	118,180	3,828	2,123	124,131	138,375	
Office and supplies	3,457	7,151	12,504	23,112	8,149	426	31,687	31,065	
Personnel expenses	199,532	382,523	319,635	901,690	23,722	19,110	944,522	981,613	
Postage and shipping	-	-	98	98	23	-	121	114	
Printing and copying	-	-	242	242	363	-	605	542	
Telecommunications	1,096	2,054	1,401	4,551	(9)	74	4,616	4,098	
Travel, conferences and meetings	286	4,277	759	5,322	555	-	5,877	1,897	
<b>Totals</b>	<b>\$ 258,345</b>	<b>\$ 657,230</b>	<b>\$ 558,230</b>	<b>\$ 1,473,805</b>	<b>\$ 137,975</b>	<b>\$ 21,754</b>	<b>\$ 1,633,534</b>	<b>\$ 1,682,924</b>	



Notes to Financial Statements  
June 30, 2022

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, 2021, 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.

Notes to Financial Statements  
June 30, 2022

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.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to fiscal year 2022 presentation. These changes had no impact on previously reported changes in net assets.

Notes to Financial Statements  
June 30, 2022

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, 2022 and 2021.

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 such 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.

**Contributions of Nonfinancial Assets** – 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 Nourish California 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 Nourish California's payroll allocations. Other expenses have been presented based on direct relationships or, if indirect, other rational allocation methods.

Notes to Financial Statements  
June 30, 2022

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.

Notes to Financial Statements  
June 30, 2022

**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, Nourish California 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 January 27, 2023 (the date of the Independent Auditors’ Report), 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:

	<b>2022</b>	<b>2021</b>
Noninterest-bearing accounts	\$ <b>582,738</b>	\$ 288,894
Interest-bearing accounts	<b>50,097</b>	300,030
PayPal account	-	16,705
Total cash and cash equivalents	<b>\$ 632,835</b>	\$ 605,629

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, 2022. Interest income from cash accounts amounted to \$68 and \$30 for the years ended June 30, 2022 and 2021, respectively.

# NOURISH CALIFORNIA

## Notes to Financial Statements June 30, 2022

### 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:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 632,835	\$ 605,629
Accounts receivable	-	1,534
Grants receivable	412,500	442,543
Investments	574,504	624,469
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs and projects	(815,012)	(435,924)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 804,827</u>	<u>\$ 1,238,251</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.

### 5. Accounts Receivable

Accounts receivable of \$1,534 at June 30, 2021 were due from various organizations and were reflected at net realizable value. Nourish California uses the direct write-off method with regards to receivables deemed uncollectible. There were no trade accounts receivable at June 30, 2022. There were no bad debts for the years ended June 30, 2022 and 2021.



# NOURISH CALIFORNIA

## Notes to Financial Statements June 30, 2022

### 6. Grants Receivable

Grants receivable of \$412,500 and \$442,543 at June 30, 2022 and 2021, respectively, represent funds due from various organizations and are reflected at net realizable value. The change in the unamortized discount during the year ended June 30, 2021 of \$5,591 was 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, 2022 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:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 594,894	\$ <b>574,504</b>	\$ 547,489	\$ 624,469

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

	2022	2021
Interest and dividends	\$ <b>13,907</b>	\$ 12,979
Capital gains distributions	<b>32,933</b>	20,828
Unrealized gains (losses)	<b>(96,807)</b>	69,456
Total investment income (loss)	<b>\$ (49,967)</b>	\$ 103,263

Composition of assets utilizing fair value measurements at June 30, 2022 is as follows:

	Totals	Level 1	Level 2	Level 3
Mutual funds	\$ 574,504	\$ 574,504	\$ -	\$ -

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	\$ -	\$ -

# NOURISH CALIFORNIA

## Notes to Financial Statements June 30, 2022

### 8. Property and Equipment

Property and equipment consists of the following at June 30:

	2022		2021
Furniture and equipment	\$ 97,619	\$	97,619
Less: accumulated depreciation	(97,619)		(97,619)
Property and equipment, net	\$ -	\$	-

Property and equipment were fully depreciated at June 30, 2022 and June 30, 2021.

### 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, 2022, the lease requires a monthly rental payment of \$8,042, with stipulated annual inflation-adjustment increases each October 1.

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 \$495,672 and \$570,012 at June 30, 2022 and 2021, respectively, for its Oakland offices (split between current amount of \$80,296 and noncurrent amount of \$415,376 at June 30, 2022) and a corresponding right of use asset for the premises in the amount of \$482,263 and \$563,362 at June 30, 2022 and 2021, 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, 2022, future minimum lease payments are estimated as follows:

Year ending June 30, 2023	\$ 98,672
Year ending June 30, 2024	101,632
Year ending June 30, 2025	104,681
Year ending June 30, 2026	107,822
Thereafter	139,024

Rent expense amounted to \$124,131 and \$138,375 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, Nourish California recognized \$10,306 and \$20,804, respectively, in sublease income.



# NOURISH CALIFORNIA

## Notes to Financial Statements June 30, 2022

### 10. 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>2022</u>	<u>2021</u>
Future periods	\$ 235,693	\$ 591,675
Northern California programs	160,881	116,719
Southern California programs	170,797	119,206
Other specific programs and projects	483,334	200,000
Total net assets with donor restrictions	<u>\$ 1,050,705</u>	<u>\$ 1,027,600</u>

During the years ended June 30, 2022 and 2021, contributions to net assets with donor restrictions amounted to \$1,280,000 and \$1,266,132, respectively. Net assets released from restrictions amounted to \$1,256,895 and \$1,475,359 during the years ended June 30, 2022 and 2021, respectively.

### 11. 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 \$43,849 and \$49,561 at June 30, 2022 and 2021, 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, 2022 or 2021.

### 12. 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.

**Notes to Financial Statements  
June 30, 2022**

**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 Nourish California's Board of Directors. During the years ended June 30, 2022 and 2021, Nourish California contributed \$30,818 and \$30,950, respectively, to the plan.

**14. COVID-19**

As a result of COVID-19 and its variants, the worldwide threat continues to (a) influence financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Nourish California conducts operations. 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 reflect certain economic ramifications which impacted the years ended June 30, 2022 and 2021.

**15. Subsequent Events**

In compliance with *ASC 855, Subsequent Events*, Nourish California has evaluated subsequent events through January 27, 2023, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which necessitate disclosure.