



Fallbrook Food Pantry
Financial Statements

December 31, 2023 and 2022



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Fallbrook Food Pantry

Opinion

We have audited the accompanying financial statements of Fallbrook Food Pantry (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fallbrook Food Pantry as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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.

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 Fallbrook Food Pantry's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, 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 the Organization'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 Fallbrook Food Pantry'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.

SWENSON ADVISORS, LLP
San Diego, California
June 12, 2024



Fallbrook Food Pantry
Statements of Financial Position
December 31, 2023 and 2022



	2023	2022
Assets		
Cash and cash equivalents	\$ 185,359	\$ 196,410
Investments in marketable securities	129,870	121,394
Accounts receivables	14,150	-
Prepaid expenses	6,200	5,090
Inventory, net	50,286	59,989
Property and equipment, net	1,254,058	1,287,221
Other assets	49,500	-
Total assets	\$ 1,689,423	\$ 1,670,104
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 48,953	\$ 42,033
Mortgage payable, net	486,802	514,172
Total liabilities	535,755	556,205
Net assets		
Net assets without donor restrictions	1,153,668	1,089,892
Net assets with donor restrictions	-	24,007
Total net assets	1,153,668	1,113,899
Total liabilities and net assets	\$ 1,689,423	\$ 1,670,104

See accompanying notes to the financial statements

Fallbrook Food Pantry
Statements of Activities
For the Years Ended December 31, 2023 and 2022



	2023	2022
Changes in net assets without donor restrictions		
Revenues and support		
Donated food	\$ 2,185,952	\$ 2,054,328
Contributions	337,662	253,509
Grants	311,000	211,617
Special events	173,796	144,267
Interest and gain on investments	5,545	513
Total revenues without donor restrictions	3,013,955	2,664,234
Net assets released from restrictions	24,007	42,058
Total revenues and support without donor restrictions	3,037,962	2,706,292
Expenses		
Program services		
Market distribution	2,612,153	2,439,869
Education	94,410	-
Total program services	2,706,563	2,439,869
Support services		
Fundraising and development	133,698	84,011
Management and general	37,912	42,261
Total supporting services	171,610	126,272
Total program and supporting expenses	2,878,173	2,566,141
Special events expenses	96,013	105,348
Total expenses	2,974,186	2,671,489
Increase in net assets without donor restrictions	63,776	34,803
Changes in net assets with donor restrictions		
Contributions	-	-
Net assets released from restrictions	(24,007)	(42,058)
(Decrease) in net assets with donor restrictions	(24,007)	(42,058)
Increase (Decrease) in net assets	39,769	(7,255)
Net assets at beginning of period	1,113,899	1,121,154
Net assets at end of period	\$ 1,153,668	\$ 1,113,899

See accompanying notes to the financial statements

Fallbrook Food Pantry
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022



	2023	2022
Cash flows from operating activities		
Change in net assets and prior period adjustments	\$ 39,769	\$ (7,255)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	68,673	61,041
Food inventory adjustment	9,703	5,888
Increase (decrease) in assets:		
Accounts receivable	(14,612)	462
Prepaid expenses	(1,110)	(1,823)
Increase in liabilities:		
Accounts payable and accrued liabilities	18,409	942
Interest payable	(513)	513
Net cash provided by operating activities	120,319	59,768
Cash flows from investing activities:		
Acquisition of property and equipment	(85,010)	(85,158)
Gain on investments	(8,553)	(115,436)
Net cash used in investing activities	(93,563)	(200,594)
Cash flows from financing activities:		
Principal payments on related-party note payable	-	(150)
Principal payments on mortgage	(29,096)	(65,570)
Debt issuance costs, net	1,726	1,726
Principal payments on finance lease obligation	(10,437)	(9,855)
Net cash used in financing activities	(37,807)	(73,849)
Net (decrease) in cash and cash equivalents	(11,051)	(214,675)
Cash, cash equivalents, and restricted cash - beginning of year	196,410	411,085
Cash and cash equivalents - end of year	\$ 185,359	\$ 196,410
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 22,221	\$ 23,747

See accompanying notes to the financial statements



NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Fallbrook Food Pantry (the “Organization” or the “Pantry”) incorporated in June 1991 as a religious corporation under the name Fallbrook Mission Project and received exempt status under section 501(c)(3) of the Internal Revenue Code exclusively for religious purposes. In June 1995, the name of the Organization was changed to Fallbrook Community Project. In August 2002, the Organization restated its articles of incorporation, classifying the Organization as a public benefit corporation, organized under the nonprofit public benefit corporation law for charitable purposes. In September 2004, the Organization changed its name to the Fallbrook Food Pantry. The Pantry’s purpose is to aid those in its community who are in need of food; to refer those in need of shelter and medical care; to equip them to be self-sufficient, independent, and productive members of society; and to give love and hope through nurturing and emotional support. The Pantry’s mission is to provide an adequate and nutritious supply of food to individuals in the community who are in need while improving the health of the community through education on healthy food choices and preparation. The following is a list of descriptions of the Organization’s programs:

Education/Learning Center

Rooted in Wellness is a comprehensive, evidence-based curriculum tailored for youth and adults, centered around horticulture, ecosystems, and daily life skills. It offers educational opportunities in health and wellness, nutrition, occupational development, and personal growth to communities facing diversity, equity, and inclusion disparities. By utilizing our educational approaches alongside healthcare monitoring, Rooted in Wellness aims to tackle issues such as food insecurity, socioeconomics, and social determinants of health. The program is designed to mitigate inequities that contribute to the development of diseases in at-risk and disadvantaged communities. Rooted in Wellness is a very diverse curriculum that can be implemented into any environment: food banks and pantries, schools (public, private, charter, home school co-ops), colleges/universities, churches, recreation and senior centers, youth and adult clubs, retirement communities, including Special Health Districts, Indian Reservations, and Homeless Shelters.

Market Distribution

Qualified families are entitled to food items based on family size and are determined by a menu that is developed each week, which is planned to provide balanced meals for 4-5 meals per week. This amounts to approximately 10-12 pounds per person within each client household. On the last Wednesday of every month, participants may receive fresh produce from the Pantry at the Life Point Church parking lot. The Pantry distributes governmental commodities delivered by the San Diego Food Bank to clients. The Pantry distributes Emergency Food Assistance Program (EFAP) items to clients during the third full week of each month. The Pantry also offers this program to senior clients during extended hours on Wednesday afternoons during the scheduled EFAP distributions weeks. The Senior Food Program or Brown Box is a USDA program designed to improve the health of low-income seniors who are 60 years or older, residents of San Diego County, and meet program income guidelines. The Senior Food Program provides qualified clients with a monthly food package containing items such as canned vegetables, fruit juice, pasta, milk, cereal, canned meat, and a block of cheese. The Pantry coordinates the Adopt-A-Family program with community members and churches to provide children under 16 years of age with holiday gifts. During the COVID-19 lockdowns, farmers were unable to sell produce to restaurants and grocery stores in as high a capacity as usual. Due to federal government programming, food banks across the nation benefitted from the farmers’ excess crops at no cost, while the government paid the farmers for their goods. The Pantry distributed the excess crops received to its clients during 2022 and 2023.





**NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES,
(CONTINUED)**

SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below:

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or the absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported in the following two classes:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including those resources currently available for use in the Organization’s operations and those designated by the board for specific future uses.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations which have not yet been met, including those that have been restricted in perpetuity, such that they are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivable, investments in marketable securities, accounts payable, deposits and notes payable. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and deposits approximate fair market value because of the short maturity of those instruments. The carrying value of the Organization’s notes payable approximates fair market value based on the current rates offered to the Company for debt with similar terms or maturities. The investments in marketable securities are measured at fair value on a recurring basis.

Topic 820 in the FASB’s Accounting Standards Codification, Fair Value Measurements and Disclosures, establishes a three-tier valuation hierarchy for classification of fair value measurements as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, at the measurement date.

Level 3 – Inputs are unobservable for the asset or liability and usually reflect the reporting entity’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The Organization’s statement of financial position includes investments in contributed stock that are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.



**Fallbrook Food Pantry
Notes to Financial Statements
December 31, 2023 and 2022**



**NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES,
(CONTINUED)**

Cash and Cash Equivalents

The Pantry considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (“FDIC”), which provides basic deposit coverage with limits up to \$250,000 per account holder. Generally, these deposits may be redeemed upon demand and therefore, are believed to bear minimal risk.

Accounts Receivable

Management believes that all accounts receivables are fully collectible, and therefore no reserve for credit losses was recorded as of December 31, 2023 and 2022.

Land, Buildings and Equipment and Depreciation

Land, buildings and equipment are recorded at cost. The Organization capitalizes items with a value in excess of \$2,500 and an expected life of five years or more. Donations of land, buildings, and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire buildings and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Assets under construction are not depreciated until placed into service. Buildings and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

	<u>Years</u>
Building and improvements	15-39
Equipment	5-7
Autos and trucks	5-7
Technology equipment and software	5

Maintenance, repairs, and minor renewals are charged to operations as incurred. Upon sale or disposition of land, buildings, and equipment, the asset and the related accumulated depreciation taken prior to the sale are removed from the Organization’s records and any resultant gain or loss is credited or charged to earnings.

Impairment of Real Estate

The Organization reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted net cash flows expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2023 or 2022.



**Fallbrook Food Pantry
Notes to Financial Statements
December 31, 2023 and 2022**



**NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES,
(CONTINUED)**

Loan Costs and Amortization

Loan costs related to the refinanced Pacific Premier Bank mortgage note payable (Note 4) of \$16,975, net of accumulated amortization of \$4,028 as of December 31, 2023, are presented as a contra-liability offsetting the note payable balance in the statements of financial position. Loan costs related to the commercial bank note payable prior to refinance were \$7,177, net of accumulated amortization of \$5,621, as of August 31, 2022, which was the date of the refinance. These loan costs were written off upon recording the refinanced loan. These loan costs are being amortized on a straight-line basis over the term of the associated debt as of December 31, 2023 and 2022. GAAP requires that the effective yield method be used to amortize loan costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Total amortization for the years ended December 31, 2023 and 2022 related to the loan costs associated with the Pacific Premier Bank notes were \$4,028 and \$1,726, respectively, and is presented as interest expense in the statements of functional expenses, in accordance with ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. Estimated interest expense for each of the five years following December 31, 2023 is approximately \$1,726.

Donated Goods and Services

The Pantry reports the fair value of contributions of donated food and grocery products as contributions without donor restriction and, shortly thereafter, as expense when distributed to its clients. During the years ended December 31, 2023 and 2022, the Pantry received approximately 1,193,000 and 1,132,000 pounds of contributed food, respectively, and distributed approximately 1,167,900 and 1,386,600 pounds of purchased and contributed food to clients, respectively. The Pantry utilizes approaches developed and applied by nationally recognized food banks and food pantries that approximate the average wholesale value of one pound of donated food. For the years ended December 31, 2023 and 2022, the Pantry determined the appropriate approximate value of food per pound to use in valuing the food received and distributed was \$1.88 and \$1.82 per pound, respectively.

The total value of food received during the year ended December 31, 2023, after deducting the amount of spoiled and composted food of \$56,400 throughout the year, was \$2,185,952. After the Pantry deducted the food distributed throughout the year ended December 31, 2023 of \$2,195,655 from the beginning inventory value and donated food received, the remaining food on hand with a value of \$50,286 was recorded as inventory as of December 31, 2023. The total value of food received during the year ended December 31, 2022, after deducting the amount of spoiled and composted food of \$27,300 throughout the year, was \$2,496,393. After the Pantry deducted the food distributed throughout the year ended December 31, 2022 of \$2,502,281, the remaining food on hand with a value of \$59,989 was recorded as inventory as of December 31, 2022.

The Pantry did not receive in-kind services during the years ended December 31, 2023 and 2022.

Revenue Recognition

When monies or other assets are received, the Organization classifies the transaction as either a contribution (i.e. a nonreciprocal transaction) or an exchange (i.e. a reciprocal transaction).





**NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES,
(CONTINUED)**

Revenue Recognition, Continued

Contributed Revenue – In accordance with Accounting Standards Update (“ASU”) No. 2016-14, *Not for Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”), when a transaction is determined to be a contribution, the Organization then determines whether it is conditional or unconditional. According to ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), conditional contributions contain i) donor-imposed barrier(s) that must be overcome before the Organization is entitled to the assets transferred or promised and ii) a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. When the condition(s) are substantially met, the contribution becomes unconditional. Unconditional contributions are those that are absent of any indication that the Organization is only entitled to the transfer of assets or a future transfer of assets if it has overcome a barrier, or that the agreement does not contain a right of return of assets transferred or a right of release from obligation. Unconditional contributions are classified as either net assets with donor restrictions or net assets without donor restrictions and are recorded in accordance with the guidelines outlined in Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*. Unconditional contributions are recognized when the donor makes a promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Expenses are recorded when incurred in accordance with the accrual basis of accounting. Contributions received with restrictions that are met in the same reporting period as received are reported as unrestricted support and increase net assets without donor restrictions.

Grant revenue is recognized in the period that the related work is performed in accordance with the terms of the grant. Grants receivable is recorded when revenue earned under a grant exceeds the cash received. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned.

Donated property and equipment are recorded at fair market value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Donated stock is recorded at fair market value at the date of the gift. If donors stipulate how long the stock must be held, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of marketable securities are recorded as unrestricted support.

The Organization receives substantial in-kind donations of food, which is valued as noted above at the time of donation as contributions without donor restriction. The Pantry receives donated and contributed volunteer time for the limited participation of many individuals in fundraising and day to day Pantry activities. The valuation of volunteer time is not reflected in these statements since they do not require specialized skills. Occasionally, the Pantry receives credits applied to service costs from service organizations. Since these services require specialized skills, the value of the time and services provided are recorded as in-kind contributions without donor restriction.

The Pantry receives contributions from sponsors at the Organization’s special events. Unless specified as restricted at the time of donations, these contributions are recorded as without donor restrictions.



**Fallbrook Food Pantry
Notes to Financial Statements
December 31, 2023 and 2022**



**NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES,
(CONTINUED)**

Revenue Recognition, Continued

Contributed Revenue, Continued – The following is a summary of revenue and expenses related to donated items for the years ended December 31:

	2023	2022
Revenue:		
Donated food	\$ 2,185,952	\$ 2,054,328
Total revenue	\$ 2,185,952	\$ 2,054,328
Expenses:		
Food distribution	\$ 2,195,655	\$ 2,060,215
Total expenses	\$ 2,195,655	\$ 2,060,215

Exchange Transactions – The Organization accounts for exchange transactions in accordance with ASU No. 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers* (“Topic 606”).

Special event revenues are recognized when the event is presented. Ticket sales for admission to or sponsorships for the events that have been received as of December 31 for which the performance obligations are not yet complete are recorded as contract liabilities in the statements of financial position. The tickets sold for events are the identified contracts between the Pantry and its event attendees. The transaction price for each ticket varies depending on the event. The performance obligation for these tickets is entry into the event. The performance obligation for these sales is the Pantry’s obligation to put on the event or to carry out the program. Ticket sales between the Pantry and its event attendees are identified as event revenues and are recognized at a point in time, which is when the event is presented. Ticket fees that have been received as of December 31 for which the performance obligation is not yet complete are recorded as contract liabilities in the statements of financial position. Special event revenue from exchange transactions amounted to \$217,009 and \$144,267 for the years ended December 31, 2023 and 2022, respectively.

The Pantry maintains donated stock investments in marketable securities. The Organization recognizes investment returns based on the fair value of the funds, which are classified as without donor restrictions in the statements of activities. When the Organization sells donated stock, any difference between the proceeds received from the sale of donated securities and the fair value on the date the donated securities were received are recognized as a realized gain or loss on the statements of activities.

The Organization has determined that the revenue sources have already been appropriately disaggregated in the statement of operations based on obligations that are substantially the same and have the same pattern of transfer to the end customer. As such, the Organization has not disaggregated revenue differently than the revenue sources depicted in the statement of operations.

Advertising Costs

The Pantry expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2023 and 2022 were \$25,514 and \$23,122, respectively, and are included with marketing expenses in the statements of functional expenses for the years then ended.





**NOTE 1 – SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES,
(CONTINUED)**

Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications based on internal records and estimates made by the Organization's management. Program services are allocated based on the number of families served through each program as a percentage of total families served throughout the year. Based on these criteria, program costs were allocated 90% to Market Distribution and 10% to Education for the year ended December 31, 2023. Program costs were allocated 40% to Daily Market, 8% to Neighborhood Distribution, 29% to EFAP, 20% to Senior programs, and 3% to Farmers to Families for the year ended December 31, 2022. Based on the Pantry's operations, general and administrative expenses are allocated 70% to fundraising, 20% to events, and 10% to administration for the years ended December 31, 2023 and 2022. See appendix A for the Statements of Functional Expenses for the years ended December 31, 2023 and 2022.

Income Tax Status

Fallbrook Food Pantry is a nonprofit organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Pantry is not a private foundation.

The Organization uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings. No loss contingencies were recognized for the years ended December 31, 2023 or 2022.

The Organization's federal exempt organization returns for tax years 2020 and beyond remain subject to examination by the Internal Revenue Service. The Organization's exempt organization returns of the tax years 2019 and beyond remain subject to examination by the Franchise Tax Board. The Organization did not have unrecognized tax benefits as of December 31, 2023 or 2022 and does not expect this to change significantly over the next 12 months. The Organization recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2023 and 2022, the Organization has not accrued interest or penalties related to uncertain tax positions.

Recent Authoritative Guidance, Adopted

On January 1, 2023, the Organization adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The adoption did not have a material effect on the consolidated financial statements of the organization as of December 31, 2023.

NOTE 2 – INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities are stated at fair value of \$129,870 and \$121,394 as of December 31, 2023 and 2022, respectively. Dividends are reinvested into the securities. There was no change in fair value from December 31, 2021 to December 31, 2022. The change in fair value from December 31, 2022 to December 31, 2023 was recorded as a gain on investments of \$5,329 in the Statements of Activities for the year ended December 31, 2023.



Fallbrook Food Pantry
Notes to Financial Statements
December 31, 2023 and 2022



NOTE 3 – LAND, BUILDINGS AND EQUIPMENT

In April 2019, the Organization purchased the land and building at 140 Brandon Road in Fallbrook, California. The land was valued at \$500,000 and the remaining amount of the purchase price for the property was allocated between the capitalized loan costs of \$7,177 (Note 1) and the building cost of \$589,923. Building improvements throughout 2023 and 2022 amounted to \$35,500 and \$85,158, respectively, and were capitalized upon completion.

Land, buildings and equipment consist of the following at December 31:

	2023	2022
Land	\$ 500,000	\$ 500,000
Building and improvements	795,103	795,103
Equipment	180,061	144,550
Autos and trucks	86,796	86,796
Technology equipment and software	9,653	9,653
	1,571,613	1,536,102
Less: accumulated depreciation and amortization	(317,555)	(248,882)
	\$ 1,254,058	\$ 1,287,221

Depreciation expense was \$68,673 and \$61,041 for the years ended December 31, 2023 and 2022, respectively.

NOTE 4 – NOTES PAYABLE

On April 3, 2019, the Pantry entered into a loan agreement with Pacific Premier Bank (“the Bank”) for a principal amount of \$600,000, which was used to purchase the property at 140 Brandon Road (Note 3). In July 2022, the Organization refinanced the loan with Pacific Premier Bank with a principal amount of \$600,000. The terms of the new agreement include monthly principal and interest payments of \$3,276 over ten years at 4.25% with a balloon payment at loan maturity in July 2031 of \$435,560. The Organization was in compliance with the debt coverage ratio loan covenant as of December 31, 2023.

Notes payable consist of the following as of December 31:

	2023	2022
Note payable to Pacific Premier Bank dated April 3, 2019 in the original amount of \$600,000; was refinanced in 2021, bears interest at 4.25%. Monthly principal and interest payments of \$3,276, with final balloon payment estimated at \$435,560; matures on July 1, 2031. Accrued interest payable totaled \$0 at December 31, 2023 and 2022. Net of amortized loan fees of \$12,947 and \$14,673 as of December 31, 2023 and 2022, respectively (Note 1).	\$ 499,749	\$ 528,845
Total notes payable	499,749	528,845
Less: unamortized loan costs	(12,947)	(14,673)
	\$ 486,802	\$ 514,172



Fallbrook Food Pantry
Notes to Financial Statements
December 31, 2023 and 2022



NOTE 4 – NOTES PAYABLE, (CONTINUED)

Interest expense on the loan to the Bank was \$22,221 and \$23,747 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the Organization was in substantial compliance with the covenants, conditions, and restrictions included in the loan agreements.

The future principal payments on the notes payable are as follows:

Years ending December 31,		
2024	\$	15,165
2025		15,900
2026		16,599
2027		17,329
2028		18,046
Thereafter		403,764
	<u>\$</u>	<u>486,802</u>

NOTE 5 – NET ASSETS

Net assets consist of the following at December 31:

	2023	2022
Without donor restriction:		
Designated by the board for building purchase, improvements, operation, and maintenance	\$ -	\$ -
Undesignated	<u>1,153,668</u>	<u>1,089,892</u>
	<u>1,153,668</u>	<u>1,089,892</u>
With donor restriction:		
Learning center kitchen	-	24,007
	<u>-</u>	<u>24,007</u>
Total net assets	<u>\$ 1,153,668</u>	<u>\$ 1,113,899</u>





NOTE 6 – LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general expenditure within one year. Financial assets include assets that are considered unavailable when illiquid or not convertible to cash within one year and receivables not available for general expenditure.

	2023
Financial assets:	
Cash and cash equivalents	\$ 185,359
Investments in marketable securities	129,870
Financial assets, at year-end	315,229
 Less those unavailable for general expenditure within one year	 -
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 315,229

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 – SUBSEQUENT EVENTS (UNAUDITED)

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 12, 2024, the date the financial statements were available to be issued, and determined that no additional subsequent events have occurred that would require recognition on the consolidated financial statements or disclosure in the notes thereto.



**Fallbrook Food Pantry
Statement of Functional Expenses
For the Year Ended December 31, 2023**

	Program Services			Supporting Services			Total Supporting Services	2023 Total
	Market Distribution	Learning Center	Total Program Services	Special Events	Fundraising	Management and General		
Salaries and wages	\$ 170,864	\$ 28,120	\$ 198,984	\$ 14,645	\$ 51,259	\$ 7,323	\$ 73,227	\$ 272,211
Payroll tax expense	13,447	2,193	15,640	1,153	4,034	576	5,763	21,403
SEP Employer Contribution	4,944	-	4,944	424	1,483	212	2,119	7,063
Food and supplies for distribution	2,229,782	-	2,229,782	-	-	-	-	2,229,782
Rent	187	21	208	18	62	9	89	297
Storage	2,064	-	2,064	-	-	-	-	2,064
Building function and repairs	5,415	602	6,017	516	1,805	258	2,579	8,596
Gas and electric	23,058	2,562	25,620	2,196	7,686	1,098	10,980	36,600
Utilities	8,614	513	9,127	440	1,539	220	2,199	11,326
Paint and material supplies	-	-	-	-	-	-	-	-
Moving expenses	-	-	-	-	-	-	-	-
Vehicles	1,151	-	1,151	-	-	-	-	1,151
Equipment	8,331	-	8,331	-	-	-	-	8,331
Telephone and internet	2,647	294	2,941	252	882	126	1,260	4,201
Security	2,253	250	2,503	215	751	107	1,073	3,576
Marketing	5,356	-	5,356	-	20,158	-	20,158	25,514
Bank fees	-	-	-	-	-	4,965	4,965	4,965
Insurance	5,906	656	6,562	562	1,969	281	2,812	9,374
Interest	15,359	1,707	17,066	1,463	5,120	731	7,314	24,380
Dues and subscriptions	8,934	121	9,055	104	363	13,508	13,975	23,030
Technology hardware and software	6,734	748	7,482	641	2,245	321	3,207	10,689
Janitorial services and supplies	-	-	-	-	-	-	-	-
Office and postage	5,834	648	6,482	556	1,945	278	2,779	9,261
Workers compensation	1,898	211	2,109	181	633	90	904	3,013
Accounting	13,992	1,555	15,547	1,333	4,664	666	6,663	22,210
IT consulting	26,379	140	26,519	2,273	7,956	1,137	11,366	37,885
Fundraising	-	49,231	49,231	-	-	-	-	49,231
Conferences, workshops, and trainings	-	-	-	-	-	3,078	3,078	3,078
Volunteer and donor appreciation	-	-	-	9,355	4,630	-	13,985	13,985
Community collaborative events	3,995	-	3,995	-	-	-	-	3,995
End of Hunger Walk-A-Thon	-	-	-	1,365	-	-	1,365	1,365
GALA Event	-	-	-	53,974	-	-	53,974	53,974
Property taxes	279	31	310	27	93	13	133	443
Miscellaneous	1,474	-	1,474	200	-	855	1,055	2,529
Depreciation and amortization	43,264	4,807	48,071	4,120	14,421	2,060	20,601	68,672
	\$ 2,612,161	\$ 94,410	\$ 2,706,571	\$ 96,013	\$ 133,698	\$ 37,912	\$ 267,623	\$ 2,974,194

**Fallbrook Food Pantry
Statement of Functional Expenses
For the Year Ended December 31, 2022**

	Program Services		Supporting Services				2022 Total
	Market Distribution	Total Program Services	Special Events	Fundraising	Management and General	Total Supporting Services	
Salaries and wages	\$ 117,557	\$ 117,557	\$ 54,580	\$ 32,837	\$ 20,442	\$ 107,859	\$ 225,416
Payroll tax expense	9,167	9,167	4,356	2,679	1,674	8,709	17,876
SEP Employer Contribution	2,853	2,853	856	245	122	1,223	4,076
Food and supplies for distribution	2,076,440	2,076,440	-	-	-	-	2,076,440
Rent	630	630	189	54	27	270	900
Storage	1,984	1,984	-	-	-	-	1,984
Building function and repairs	3,746	3,746	1,124	321	161	1,606	5,352
Gas and electric	20,089	20,089	6,027	1,722	861	8,610	28,699
Utilities	7,456	7,456	403	115	58	576	8,032
Vehicles	15,368	15,368	-	-	-	-	15,368
Equipment	523	523	-	-	-	-	523
Telephone and internet	5,170	5,170	1,551	443	222	2,216	7,386
Security	2,969	2,969	890	254	127	1,271	4,240
Marketing	22,042	22,042	1,080	-	-	1,080	23,122
Bank fees	-	-	-	-	100	100	100
Insurance	6,517	6,517	1,955	559	279	2,793	9,310
Interest	18,651	18,651	5,595	1,599	799	7,993	26,644
Dues and subscriptions	7,180	7,180	-	-	12,634	12,634	19,814
Technology hardware and software	1,147	1,147	344	98	49	491	1,638
Janitorial services and supplies	77	77	23	7	3	33	110
Office and postage	8,029	8,029	2,409	688	344	3,441	11,470
Workers compensation	8,705	8,705	2,612	746	373	3,731	12,436
Accounting	13,584	13,584	4,075	1,164	582	5,821	19,405
IT consulting	14,528	14,528	4,359	1,245	623	6,227	20,755
Fundraising	26,883	26,883	-	-	-	-	26,883
Conferences, workshops, and trainings	-	-	-	-	113	113	113
Volunteer and donor appreciation	3,741	3,741	-	-	-	-	3,741
Community collaborative events	1,578	1,578	-	-	-	-	1,578
End of Hunger Walk-A-Thon	-	-	-	3,345	-	3,345	3,345
GALA Event	-	-	-	31,999	-	31,999	31,999
Property taxes	268	268	81	23	12	116	384
Miscellaneous	266	266	20	206	825	1,051	1,317
Depreciation and amortization	42,728	42,728	12,819	3,662	1,831	18,312	61,040
	\$ 2,439,876	\$ 2,439,876	\$ 105,348	\$ 84,011	\$ 42,261	\$ 231,620	\$ 2,671,496