



**FALLBROOK FOOD PANTRY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**
**For the Year Ended
December 31, 2024**
(With Comparative Amounts as of December 31, 2023)

NIGRO & NIGRO^{PC}

FALLBROOK FOOD PANTRY

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December 31, 2024

FINANCIAL SECTION

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Fallbrook Food Pantry
Fallbrook, California

Opinion

We have audited the accompanying financial statements of Fallbrook Food Pantry (a California nonprofit organization) which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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, 2024, and the results of its operations and 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 audit 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 audit. 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 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 auditor's 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 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 Company'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 the Company'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

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2024 from which such partial information was derived.

Murrieta, California
April 15, 2025

FALLBROOK FOOD PANTRY*Statement of Financial Position**December 31, 2024**(With Comparative Information as of December 31, 2023)*

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 146,051	\$ 185,359
Investments (Note 3)	91,076	129,870
Accounts receivable	5,409	14,150
Inventory (Note 4)	78,278	50,286
Prepays	6,527	6,200
Other assets	19,500	49,500
Total current assets	346,841	435,365
Non-current assets:		
Fixed assets, net (Note 5)	1,200,856	1,254,058
Total assets	<u>\$ 1,547,697</u>	<u>\$ 1,689,423</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 11,463	\$ 31,587
Mortgage payable (Note 6)	19,250	25,282
Total current liabilities	30,713	56,869
Long-term liabilities:		
Mortgage payable, net (Note 6)	443,996	461,520
Accrued vacation payable	12,235	17,366
Total liabilities	486,944	535,755
Net Assets		
Net investment in fixed assets (Note 7)	737,610	767,256
Without donor restrictions	323,143	386,412
Total net assets	1,060,753	1,153,668
Total liabilities and net assets	<u>\$ 1,547,697</u>	<u>\$ 1,689,423</u>

FALLBROOK FOOD PANTRY*Statement of Activities**For the Year Ended December 31, 2024**(With Comparative Information for the Year Ended December 31, 2023)*

	Without Donor Restrictions	
	2024	2023
SUPPORT AND OTHER REVENUE		
Donated food (Note 4)	\$ 2,634,448	\$ 2,185,952
Contributions	447,460	337,662
Grants	140,000	311,000
Total support and other revenue	3,221,908	2,834,614
FUND-RAISING EVENTS		
Gala event	153,847	139,649
Other events	32,484	34,147
Costs of direct benefits to donors	(66,194)	(64,693)
Total fund-raising events, net	120,137	109,103
Total revenue	3,342,045	2,943,717
EXPENSES		
Program Services:		
Market distribution	3,030,485	2,612,153
Education	243,154	94,410
Supporting Services:		
Management and general	30,162	37,912
Fundraising and development	111,546	133,698
Special events expenses	30,944	31,320
Total expenses	3,446,291	2,909,493
Change in net assets from operations	(104,246)	34,224
OTHER REVENUES(EXPENSES)		
Investment earnings (Note 3)	11,331	5,545
Total other revenues(expenses)	11,331	5,545
Change in net assets	(92,915)	39,769
NET ASSETS		
Beginning of the year	1,153,668	1,113,899
End of the year	\$ 1,060,753	\$ 1,153,668

FALLBROOK FOOD PANTRY

Statement of Functional Expenses

For the Year Ended December 31, 2024

(With Comparative Information for the Year Ended December 31, 2023)

Expenses	Program Services		Supporting Services			2024	2023
	Market Distribution	Learning Center	General and Administrative	Special Events	Fundraising and Development	Total Expenses	Total Expenses
Salaries and benefits:							
Salaries and wages	\$ 157,328	\$ 52,771	\$ 6,743	\$ 13,485	\$ 47,198	\$ 277,525	\$ 272,211
Payroll taxes	13,032	4,304	559	1,117	3,910	22,922	21,404
Employee benefits	11,904	520	532	1,065	3,727	17,748	10,076
Total salaries and benefits	182,264	57,595	7,834	15,667	54,835	318,195	303,691
Other expenses:							
Food and supplies for distribution	2,652,887	-	-	-	-	2,652,887	2,229,782
Facilities and equipment	17,458	879	209	418	1,464	20,428	19,788
Insurance	7,020	1,541	367	734	2,568	12,230	10,920
Materials and services	23,133	17,657	1,908	235	4,067	47,000	50,920
Memberships and dues	2,613	214	51	102	356	3,336	2,057
Office and technology	14,174	3,111	13,639	1,482	5,186	37,592	32,962
Professional services	51,427	140,770	2,371	4,741	16,594	215,903	108,585
Scholarships	-	5,500	-	-	-	5,500	-
Utilities	35,869	6,307	1,502	3,003	10,511	57,192	57,580
Depreciation	30,538	6,704	1,596	3,192	11,172	53,202	68,673
Interest	13,102	2,876	685	1,370	4,793	22,826	24,535
Total other expenses	2,848,221	185,559	22,328	15,277	56,711	3,128,096	2,605,802
Total expenses	\$ 3,030,485	\$ 243,154	\$ 30,162	\$ 30,944	\$ 111,546	\$ 3,446,291	\$ 2,909,493

FALLBROOK FOOD PANTRY*Statement of Cash Flows**For the Year Ended December 31, 2024**(With Comparative Information for the Year Ended December 31, 2023)*

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operations	\$ (104,246)	\$ 34,224
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	53,202	68,673
(Increase) decrease in operating assets:		
Accounts receivable	8,741	(14,612)
Inventory	(27,992)	9,703
Prepays and deposits	(327)	(1,110)
Other assets	30,000	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(20,124)	18,409
Interest payable	-	(513)
Accrued vacation payable	(5,131)	-
Net cash provided by (used in) operating activities	<u>(65,877)</u>	<u>114,774</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	50,000	-
Proceeds from investment earnings on cash accounts	125	-
Purchases of investments, net	-	(3,008)
Purchases of equipment	-	(85,010)
Net cash used in investing activities	<u>50,125</u>	<u>(88,018)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage	(25,282)	(29,096)
Debt issuance costs, net	1,726	1,726
Principal payments on finance lease obligation	-	(10,437)
Net cash used in financing activities	<u>(23,556)</u>	<u>(37,807)</u>
Net increase(decrease) in cash and cash equivalents	(39,308)	(11,051)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>185,359</u>	<u>196,410</u>
End of year	<u>\$ 146,051</u>	<u>\$ 185,359</u>

FALLBROOK FOOD PANTRY

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Fallbrook Food Pantry (the “Organization” or the “Pantry”) was 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 educational approaches alongside healthcare monitoring, Rooted in Wellness aims to tackle issues such as food insecurity, socioeconomic, 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 2024.

FALLBROOK FOOD PANTRY

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018 and addresses general-purpose external financial statements appropriate for not-for-profit organizations.

Under the provisions of the ASC 958-205, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by the actions of the not-for-profit organization to satisfy a particular purpose restriction, or by the passage of time. Some donor restrictions are perpetual (or permanent) in nature, whereby the donor has stipulated the funds be maintained in perpetuity, whereby the corpus of the donation must remain unspent.

C. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Fair Value Measurements

In accordance with fair value measurements, the Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

FALLBROOK FOOD PANTRY

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

Cash consists of funds held in various financial institutions. The Organization considers certificates of deposit with a maturity date of 90 days or longer to be investments. Also, the Organization considers positions held within equities, fixed income, and other marketable securities to be investments.

F. Custodial Credit Risk

Cash balances are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). From time to time total cash and cash equivalents deposited with third party financial institutions by the Organization may exceed amounts not covered by the FDIC. As of December 31, 2024, there was no cash and cash equivalents held in excess of the FDIC limit.

G. Investments

Investments are stated at fair value at the Statement of Financial Position date as required by FASB. Net realized and unrealized gains/losses on investments are presented on the Statement of Activities, with respect to any donor restrictions, as investment return. Investment return is presented net of related internal and external fees. The average cost method is used to determine the basis for computing realized gains/losses.

H. Accounts Receivable

Management believes that all accounts receivables are fully collectible, and therefore no reserve for credit losses was recorded as of December 31, 2024.

I. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

J. Fixed Assets

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.

FALLBROOK FOOD PANTRY

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Impairment of Long-Lived Assets

The Organization assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. Should impairment exist, the impairment loss would be measured based on the excess of the carrying amount of the asset over the asset's fair value. No impairment charges were recognized on long-lived assets for the year ended December 31, 2024.

L. Accrued Vacation Payable

The Organization offers paid vacation to employees based on length of employment and position type. The balance at the end of the period is estimated by a multiple of each employee's respective accrued hours of vacation and his or her rate of pay at the period end date, including statutory benefits. This is reported as a long-term liability.

M. Mortgage Payable

Loan costs related to the refinanced Pacific Premier Bank mortgage note payable of \$16,975, net of accumulated amortization of \$5,754 as of December 31, 2024, 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, 2021, 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, 2024. 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, 2024 related to the loan costs associated with the Pacific Premier Bank notes was \$1,726 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 remaining years following December 31, 2024 is approximately \$1,726.

N. Donated Goods and Services

The Organization 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, 2024 the Organization received approximately 1,337,000 pounds of contributed food, and distributed approximately 1,303,000 pounds of purchased and contributed food to clients, respectively. The Organization 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 year ended December 31, 2024, the Organization determined the appropriate approximate value of food per pound to use in valuing the food received and distributed was \$1.97.

FALLBROOK FOOD PANTRY

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Donated Goods and Services (continued)

The total value of food received during the year ended December 31, 2024, after deducting the amount of spoiled and composted food of \$39,400 throughout the year, was \$2,595,048. After the Pantry deducted the food distributed throughout the year ended December 31, 2024 of \$2,567,056 from the beginning inventory value and donated food received, the remaining food on hand with a value of \$78,278 was recorded as inventory as of December 31, 2024.

O. 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).

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.

FALLBROOK FOOD PANTRY

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Revenue Recognition (continued)

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 Organization 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 Organization 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 Organization 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.

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 \$186,331 for the year ended December 31, 2024.

The Organization 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.

P. Income Taxes

The Organization is a non-profit public-benefit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, no provision has been made for income taxes. Management has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels.

The primary tax positions evaluated are related to the Organization's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Organization files informational returns in the U.S. federal jurisdiction and the state of California.

FALLBROOK FOOD PANTRY

Notes to Financial Statements

December 31, 2024

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Advertising costs

The Organization's expenses advertising costs as they are incurred. Advertising expenses for the year ended December 31, 2024 were \$12,636 and are included with materials and services in the statements of functional expenses.

R. Functional 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 82% to Market Distribution and 18% to Education for the year ended December 31, 2024. Based on the Organization's operations, general and administrative expenses are allocated 70% to fundraising, 20% to events, and 10% to administration for the years ended December 31, 2024.

FALLBROOK FOOD PANTRY
Notes to Financial Statements
 December 31, 2024

NOTE 2 – LIQUIDITY AND AVAILABLE RESOURCES

The Organization’s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 146,051
Investments	91,076
Accounts receivable	5,409
Inventory	78,278
Prepays and deposits	<u>6,527</u>
Financial assets available within one year	<u>\$ 327,341</u>

The Organization’s policy for liquidity management requires that it structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Cash in excess of daily requirements is invested in short-term investments.

NOTE 3 – INVESTMENTS AND INVESTMENT EARNINGS

The fair values, related measurement input techniques and related maturities of the major types of investments held by the Organization at December 31, 2024, were as follows:

<u>Assets</u>	<u>Fair Value Input</u>	<u>Maturity (years)</u> <u>Less than One</u>
Money Market	Level 2	\$ 685
Mutual Funds	Level 2	74,035
Stocks & ADRs	Level 2	<u>16,356</u>
Total investments		<u>\$ 91,076</u>

The components of investment earnings were as follows at December 31, 2024:

<u>Description</u>	<u>Amount</u>
Dividend income	\$ 3,366
Interest income	3,047
Unrealized gains/(losses)	<u>4,918</u>
Investment earnings	<u>\$ 11,331</u>

FALLBROOK FOOD PANTRY
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NOTE 4 - INVENTORY

Change in inventory for the calendar year consisted of the following:

	<u>2024</u>
Inventory at January 1	\$ 50,286
Add: donated food	2,634,448
Less: food distributed	(2,567,056)
Less: spoiled/composted food	<u>(39,400)</u>
Inventory at December 31	<u>\$ 78,278</u>

NOTE 5 - FIXED ASSETS

Fixed assets as of December 31, 2024 consisted of the following:

<u>Description</u>	<u>Balance</u> <u>January 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Dec. 31, 2024</u>
Fixed assets not being depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Fixed assets being depreciated:				
Buildings and improvements	795,103	-	-	795,103
Equipment	180,061	-	-	180,061
Autos and trucks	86,796	-	-	86,796
Technology equipment and software	<u>9,653</u>	<u>-</u>	<u>-</u>	<u>9,653</u>
Total fixed assets being depreciated:	<u>1,071,613</u>	<u>-</u>	<u>-</u>	<u>1,071,613</u>
Accumulated depreciation:				
Buildings and improvements	(110,087)	(28,822)	-	(138,909)
Equipment	(111,019)	(24,380)	-	(135,399)
Autos and trucks	(86,796)	-	-	(86,796)
Technology equipment and software	<u>(9,653)</u>	<u>-</u>	<u>-</u>	<u>(9,653)</u>
Total accumulated depreciation	<u>(317,555)</u>	<u>(53,202)</u>	<u>-</u>	<u>(370,757)</u>
Total fixed assets being depreciated, net	<u>754,058</u>	<u>(53,202)</u>	<u>-</u>	<u>700,856</u>
Total fixed assets, net	<u>\$ 1,254,058</u>	<u>\$ (53,202)</u>	<u>\$ -</u>	<u>\$ 1,200,856</u>

Depreciation expense of \$53,202 is allocated to the program services and supporting services based on percentage time of use dedicated to each function.

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NOTE 6 – MORTGAGE PAYABLE

On April 3, 2019, the Organization 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. In July 2021, 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, 2024.

Mortgage payable as of December 31, 2024 consisted of the following:

<u>Description</u>	<u>Amount</u>
Total mortgage payable	\$ 474,466
Less: unamortized loan costs	<u>(11,220)</u>
Net mortgage payable	<u>\$ 463,246</u>
Current	<u>(19,250)</u>
Long-term	<u>\$ 443,996</u>

Interest expense on the loan to the Bank was \$22,826 year ended December 31, 2024. As of December 31, 2024, 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 19,250	\$ 20,066	\$ 39,316
2026	20,096	19,221	39,317
2027	20,979	18,337	39,316
2028	21,851	17,465	39,316
2029	22,862	16,455	39,317
2030-2031	<u>369,428</u>	<u>23,945</u>	<u>393,373</u>
Total	<u>\$ 474,466</u>	<u>\$ 115,489</u>	<u>\$ 589,955</u>

NOTE 7 – NET INVESTMENT IN FIXED ASSETS

Net investment in fixed assets as of December 31, 2024 consisted of the following:

<u>Description</u>	<u>Amount</u>
Fixed assets, net	\$ 1,200,856
Mortgage payable current	(19,250)
Mortgage payable long-term	<u>(443,996)</u>
Net investment in fixed assets	<u>\$ 737,610</u>

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Notes to Financial Statements

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NOTE 8 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

The Organization does not recognize a lease receivable and a deferred lease revenue for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, *de minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

NOTE 9 – SUBSEQUENT EVENTS

Events subsequent to December 31, 2024 have been evaluated through April 15, 2025, the date at which the Organization's audited financial statements were available to be issued. No events requiring disclosures have occurred through this date.