

Food Literacy Center

Sacramento, California

Financial Statements and Independent Auditors' Report

For the Year Ended December 31, 2023

*With Summarized Comparative Financial Information
For the Year Ended December 31, 2022*



Food Literacy Center
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	5
Statement of Activities.....	6
Statement of Functional Expenses	7
Statement of Cash Flows.....	8
Notes to the Financial Statements	11

This page intentionally left blank.



INDEPENDENT AUDITORS' REPORT



To the Board of Directors
of Food Literacy Center
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Food Literacy Center (the "Center") (a California nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 the Center as of December 31, 2023, and the changes in its net assets, its functional expenses, 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. 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 the Center 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 the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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.

To the Board of Directors
of Food Literacy Center
Sacramento, California
Page 2

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 Center'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 Center'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 reviewed the Center's financial statements for the year ended December 31, 2022, and we expressed a conclusion without material modifications on those financial statements in our report dated September 6, 2023. The summarized comparative information presented with the financial statements herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Sacramento, California
August 16, 2024

FINANCIAL STATEMENTS

This page intentionally left blank.

Food Literacy Center
Statement of Financial Position
December 31, 2023

(With Comparative Financial Information as of December 31, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,628,320	\$ 1,610,615
Donated securities (held for sale)	5,281	-
Accounts receivable	35,275	-
Contributions receivable, net	1,324,713	1,645,746
Property and equipment, net	28,226	20,719
Total assets	\$ 3,021,815	\$ 3,277,080
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 12,547	\$ 2,313
Accrued expenses	57,626	48,818
Refundable advance	9,484	-
Total liabilities	79,657	51,131
Net assets:		
Without donor restrictions:		
Board-designated for operating reserves	834,125	616,500
Board-designated for capital assets	20,000	20,000
Board-designated for maintenance	20,000	20,000
Undesignated	493,048	525,893
Total net assets without donor restrictions	1,367,173	1,182,393
With donor restrictions:		
Purpose-restricted	1,453,872	1,872,536
Time-restricted for future periods	121,113	171,020
Total net assets with donor restrictions	1,574,985	2,043,556
Total net assets	2,942,158	3,225,949
Total liabilities and net assets	\$ 3,021,815	\$ 3,277,080

Food Literacy Center
Statement of Activities
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Revenues:				
Support and other revenue:				
Private grants and contributions	\$ 627,284	\$ -	\$ 627,284	\$ 1,332,128
Oak Park Farmer's Market revenue	82,513	73,906	156,419	-
Program services revenue (other)	162,055	-	162,055	36,450
Government grants (COVID relief)	-	-	-	39,587
Contributed nonfinancial assets	40,485	-	40,485	26,677
Special events revenue	48,935	-	48,935	48,841
Less: Cost of direct benefits to donors	(11,795)	-	(11,795)	(8,985)
Interest and other income	12,719	-	12,719	144
Total support and other revenue	962,196	73,906	1,036,102	1,474,842
Net assets released from restrictions	542,477	(542,477)	-	-
Total revenue	1,504,673	(468,571)	1,036,102	1,474,842
Expenses:				
Program services:				
Food Literacy program	974,534	-	974,534	721,431
Oak Park Farmers Market	108,421	-	108,421	-
Total program services	1,082,955	-	1,082,955	721,431
Supporting services:				
Management and general	125,481	-	125,481	93,930
Fundraising	111,457	-	111,457	86,234
Total supporting services	236,938	-	236,938	180,164
Total expenses	1,319,893	-	1,319,893	901,595
Changes in net assets	184,780	(468,571)	(283,791)	573,247
Net assets:				
Beginning of year	1,182,393	2,043,556	3,225,949	2,652,702
End of year	<u>\$ 1,367,173</u>	<u>\$ 1,574,985</u>	<u>\$ 2,942,158</u>	<u>\$ 3,225,949</u>

The accompanying notes are an integral part of these financial statements.

Food Literacy Center
Statement of Functional Expenses
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

	Program Services		Supporting Services		2023 Total	2022 Total
	Food Literacy Program	Oak Park Farmers Market	Management and General	Development		
Expenses:						
Personnel expenses:						
Salaries and wages	\$ 520,657	\$ 44,343	\$ 63,165	\$ 58,924	\$ 687,089	\$ 511,141
Employee benefits	45,479	7,876	5,517	5,147	64,019	31,224
Payroll taxes	36,990	6,745	4,487	4,186	52,408	43,016
Staff development	16,422	-	1,935	1,805	20,162	17,276
Workers' compensation insurance	2,862	522	347	324	4,055	5,499
Total personnel	622,410	59,486	75,451	70,386	827,733	608,156
Bank and payroll charges	-	-	-	4,284	4,284	4,021
Depreciation	3,462	-	-	-	3,462	3,354
Donated facilities	157,668	-	2,783	2,596	163,047	159,066
Donated food, supplies, and services	40,261	-	116	108	40,485	26,677
Insurance	2,706	-	328	306	3,340	3,318
Meetings	2,660	-	323	321	3,304	2,239
Miscellaneous	725	-	373	74	1,172	3,528
Occupancy	3,763	-	457	426	4,646	817
Office supplies	4,005	-	486	453	4,944	4,586
Professional fees	43,391	-	41,076	17,257	101,724	23,895
Printing and postage	6,593	-	144	8,174	14,911	12,540
Program expenses	62,806	48,935	-	-	111,741	32,306
Software and website	7,249	-	3,359	6,527	17,135	12,866
Telecommunications	163	-	20	18	201	709
Travel and meals	12,064	-	354	330	12,748	2,620
Utilities	4,608	-	211	197	5,016	897
Total expenses	\$ 974,534	\$ 108,421	\$ 125,481	\$ 111,457	\$ 1,319,893	\$ 901,595

The accompanying notes are an integral part of these financial statements.

Food Literacy Center
Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Financial Information for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (283,791)	\$ 573,247
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated equity securities	(5,281)	-
Depreciation	3,462	3,354
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(35,275)	-
Contributions receivable, net	321,033	(30,202)
Increase (decrease) in liabilities:		
Accounts payable	10,234	(4,089)
Accrued expenses	8,808	8,968
Refundable advance	9,484	-
Net cash provided by operating activities	<u>28,674</u>	<u>551,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments securities	-	17,757
Purchases of property and equipment	(10,969)	(14,882)
Net cash provided by (used in) investing activities	<u>(10,969)</u>	<u>2,875</u>
Net increase in cash and cash equivalents	17,705	554,153
Cash and cash equivalents:		
Beginning of year	<u>1,610,615</u>	<u>1,056,462</u>
End of year	<u>\$ 1,628,320</u>	<u>\$ 1,610,615</u>

NOTES TO THE FINANCIAL STATEMENTS

This page intentionally left blank.

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 1 – Nature of the Organization

Food Literacy Center (the “Center”) of Sacramento, California is an independent, not-for-profit organization that was incorporated on November 16, 2011. Their stated mission is to inspire kids to eat their vegetables. The Center teaches children in low-income elementary schools cooking, nutrition, gardening, and active play to improve the local community’s health, environment, and economy.

The Center’s goals include reducing childhood obesity and improving healthy eating habits among low-income children, increasing environmental stewardship, and supporting community development that sustains healthy food choices in communities of highest need. Additionally, the Center aims for kids to have fun and develop a love for healthy food that creates a lifetime of healthy habits.

The Oak Park Farmers Market, hosted by the Food Literacy Center, operates every Saturday from April to November at McClatchy Park in Sacramento. Serving 1,500 visitors weekly, it addresses local food deserts by offering fresh produce from small, diverse farms. The market supports low-income families by matching EBT (food stamps) sales up to \$20, aligning with the Center's mission to promote healthy eating and community health. Since becoming the market's official nonprofit home in 2023, the Food Literacy Center has provided cooking demonstrations and family programs that further these goals.

The Center is primarily funded through foundation and corporate grants, individual donations, and special events.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) where revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASU 2016-14, the Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Center’s reviewed financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Cash and Cash Equivalents

The Center considers all financial instruments purchased with an original maturity of three months or less, as well as immediate cash held for deposit, to be cash equivalents.

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 2 – Summary of Significant Accounting Policies (Continued)

Donated Securities

Donated securities are recorded at fair value on the date of donation and are held for sale. Thereafter, these securities are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported as other income in the statement of activities and consists of realized capital gains and losses, less any related external expenses.

Accounts Receivable and Allowance for Credit Losses

The Center provides service-learning programs throughout the year to students in the Sacramento, CA region. Customers are invoiced monthly for work done in that applicable month. The Center has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories (current, 1–30 days past due, 31–60 days past due, 61–90 days past due, and more than 90 days past due). Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at December 31, 2023 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, as of December 31, 2023, the allowance for credit losses totaled \$-0-.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Based on historical experience, an assessment of economic conditions, and a review of subsequent collections, management expects all such contributions to be collectible. Accordingly, an allowance for uncollectible contributions has not been established as of December 31, 2023 and 2022.

Property and Equipment

Property and equipment are carried at cost, if purchased, or at estimated fair value on the date contributed, if donated, less accumulated depreciation. The Center's policy is to provide for depreciation using the straight-line method over the estimated useful life of each type of asset ranging from 5 to 7 years.

If donors stipulate the period of time during which the assets must be used, the contributions are recorded as support with donor restrictions, and released as restrictions expire. In the absence of such stipulations, contributions of property and equipment and gifts of cash restricted for the acquisition of property and equipment, are recorded as support without donor restrictions when the assets are placed in service. For the years ended December 31, 2023 and 2022, the Center received no donated property or equipment.

Maintenance and repairs are charged to expense when incurred. Additions and major renewals are capitalized. When assets are retired or otherwise disposed of the cost or donated value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in other revenues (expenses) for the period.

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 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. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets without Donor Restrictions:* Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. From time-to-time, the board of directors may earmark net assets from this category.
- *Net Assets with Donor Restrictions:* Net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

All contributions are considered available for general use, unless specifically restricted by donor or subject to other legal restrictions

Revenue and Revenue Recognition

The Center recognizes revenue from service-learning programs during the year in which the related services are provided to students. The performance obligation of delivering service-learning activities is simultaneously received and consumed by the participants; therefore, the revenue is recognized ratably over the course of the program period. Any amounts received prior to the commencement of the service-learning activities are deferred to the applicable period.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Center's revenue is derived from cost-reimbursable government and foundation contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. As of December 31, 2023 and 2022, the Center has received cost-reimbursable grants totaling \$1,064,202 (including a three-year grant from the US Department of Education totaling \$1.05 million) and \$90,036, respectively, that have not been recognized because qualifying expenditures have not yet been incurred.

Special event revenue is comprised of an exchange element based upon the direct benefits donor receive and a contribution element for the difference. Special event revenue is recognized equal to the fair value of direct benefits to donors when the event takes place. The contribution element of special event revenue is recognized immediately, unless there is a right of return if the special event does not take place.

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 2 – Summary of Significant Accounting Policies (Continued)

Contributed Nonfinancial Assets

Contributed nonfinancial assets include donated professional services which are recorded at the respective fair values of the goods or services received. The Center does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute 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 U.S. GAAP. Contributed goods are recorded at fair value at the date of donation.

Functional Allocation of Expenses

The costs of providing the program services and other activities have been detailed in the statement of functional expenses and are summarized on a functional basis in the statement of activities. Program and supporting services are charged with their direct expenses when applicable. Certain categories of expenses are attributed to both program and supporting services, therefore, expenses require allocation on a reasonable basis that is consistently applied. The Center's allocated expenses consist of donated services which are evaluated based on the nature of the service provided.

Income Tax Status

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and related California code sections. However, we are subject to income taxes from activities unrelated to our tax-exempt purposes, unless that income is otherwise excluded by the IRC. The Center is considered a public charity and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

Management has processes presently in place to ensure maintenance of the Center's tax-exempt statuses; to identify and report unrelated business income; to determine the filing and tax obligations for which the Center has nexus; and to identify and evaluate other matters that may be considered tax positions. Management has evaluated the tax positions and related income tax contingencies and do not believe that any material uncertain tax positions exist that require recognition or disclosure in the financial statements.

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could vary from those estimates under different assumptions or conditions.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and equivalents with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Center has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions are due from government agencies and foundations supportive of the mission. Investments are made by the Treasury Committee whose performance is monitored by the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the board of directors believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 2 – Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Center adopted the standard effective January 1, 2023. Financial assets held by the Center that are subject to the guidance are accounts receivable. The impact of the adoption was not considered material to the financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications have no impact on previously reported net assets.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 1,628,320	\$ 1,610,615
Donated securities (held for sale)	5,281	-
Accounts receivable	35,275	-
Contributions receivable, net	122,568	205,284
	1,791,444	1,815,899
Less: financial assets unavailable for general expenditures within one year, due to:		
Restrictions by donors for a specific purpose	(250,000)	(510,000)
Designated by the board of directors for reserves	(874,125)	(656,500)
	(1,124,125)	(1,166,500)
Financial assets available to meet cash needs for general expenditures within one year	\$ 667,319	\$ 649,399

Board-designated reserves can be made available if necessary. The Center maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet our anticipated expenditures for at least the next 60 days. Cash in excess of this may be invested in short-term investments.

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 4 – Fair Value of Donated Securities

In accordance with U.S. GAAP, the Center uses the following prioritized input levels to measure fair value. The input levels used for valuing instruments are not necessarily an indication of risk.

- Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.
- Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.
- Level 3 – Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about sick such as bid/ask spreads and liquidity discounts.

Donated securities are reported at fair value and consisted of the following as of December 31, 2023:

2023	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 5,281	\$ 5,281	\$ -	\$ -
Total donated securities	<u>\$ 5,281</u>	<u>\$ 5,281</u>	<u>\$ -</u>	<u>\$ -</u>

The Center had no donated securities as of December 31, 2022.

Note 5 – Contributions Receivable

Contributions receivable are expected to be collected as follows as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unconditional promises to give	\$ 122,568	\$ 290,284
Promised use of facilities	1,409,399	1,572,446
Less: unamortized discount	<u>(207,254)</u>	<u>(216,984)</u>
Total contributions receivable, net	<u>\$ 1,324,713</u>	<u>\$ 1,645,746</u>

As of December 31, 2023 and 2022, collection of the contributions receivable balance, excluding the promised use of facilities, was expected as follows:

	<u>2023</u>	<u>2022</u>
Amounts due in:		
Less than one year	\$ 87,568	\$ 205,284
One to five years	35,000	50,000
Thereafter	<u>-</u>	<u>35,000</u>
Total unconditional promises to give	<u>\$ 122,568</u>	<u>\$ 290,284</u>

A discount rate of 3% and applies to the promised use of facilities. A discount rate of 6% applies to all other contributions receivable.

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 5 – Contributions Receivable (Continued)

In October 2021, the Center executed a ten-year lease agreement with the Sacramento City Unified School District whereby the Center receives the use of a building, parking lot, and farm area (facilities) in Sacramento, California for no cost. The lease term may be extended by the written mutual consent of the parties.

Organizations that receive the free or discounted use of facilities, in which the donor retains legal title, for a specified period, should report these promises as contributions receivable and as donor restricted support that increases net assets restricted by donors. Expenses should be recognized in the periods the facilities are used. Therefore, the Center recognized contributions of \$4,384 and \$794 for the free use of facilities during the years ended December 31, 2023 and 2022, respectively.

Contributions receivable are amortized as donated facilities expense on a straight line basis over the respective terms. The Center recognized donated facilities expenses of \$163,045 and \$159,066 for the years ended December 31, 2023 and 2022, respectively.

Note 6 – Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022

	2023	2022
Furniture and equipment	\$ 12,132	\$ 12,132
Land improvements	13,564	10,000
Kitchen equipment	7,406	-
Less: accumulated depreciation	(4,876)	(1,413)
Total property and equipment, net	\$ 28,226	\$ 20,719

Depreciation expense was \$3,462 and \$3,354 for the years ended December 31, 2023 and 2022, respectively.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Subject to expenditure for a specified purpose:		
Promised use of facility space	\$ 1,203,872	\$ 1,362,536
Floyd Farm	250,000	510,000
	1,453,872	1,872,536
Subject to the passage of time	121,113	171,020
Total net assets with donor restrictions	\$ 1,574,985	\$ 2,043,556

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 7 – Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Expiration of purpose restrictions	\$ 418,664	\$ 158,271
Expiration of time restrictions	123,813	51,014
Total net assets released from restrictions	\$ 542,477	\$ 209,285

Note 8 – Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities are as follows for the years ended December 31, 2023 and 2022:

	Food Literacy Program	Management and General	Development	Total
2023				
Donated food	\$ 33,894	\$ -	\$ -	\$ 33,894
Donated services	3,570	-	-	3,570
Donated supplies	1,841	1,180	-	3,021
Total contributed nonfinancial assets	\$ 39,305	\$ 1,180	\$ -	\$ 40,485
2022				
Donated food	\$ 20,523	\$ -	\$ -	\$ 20,523
Donated supplies	5,348	158	648	6,154
Total contributed nonfinancial assets	\$ 25,871	\$ 158	\$ 648	\$ 26,677

Donated food and supplies are valued using estimated U.S wholesale prices (principal market) of identical or similar products using price data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of purchase. Donated food and supplies are used in program and supporting services.

Donated services, such as photography and graphic design performed by professionals, are recognized at fair value based on current rates for similar services and are used for program services.

All nonfinancial assets received during the years ended December 31, 2023 and 2022 were contributed without donor restrictions.

Food Literacy Center
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2023

(With Summarized Comparative Financial Information for the Year Ended December 31, 2022)

Note 9 – Concentrations

Approximately 70% of the Center’s contributions receivable balance (not including the promised use of facilities) as of December 31, 2023, were due from two funding sources.

For the year ended December 31, 2022, approximately 60% of the Center’s total revenue and support was provided by four funding sources. In addition, approximately 73% of contributions receivable balance (not including the promised use of facilities) as of December 31, 2022, were due from two funding sources.

Note 10 – Commitments and Contingencies

The Center has been awarded certain grants and contracts and are subject to financial and compliance requirements of the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although management does not expect such amounts, if any, to materially affect the financial statements.

Note 11 - Subsequent Events

The Center has evaluated subsequent events through August 16, 2024, the date the financial statements are available to be issued and is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

This page intentionally left blank



August 16, 2024

To the Board of Directors and Management
of Food Literacy Center
Sacramento, California

www.pungroup.cpa



We have audited the financial statements of Food Literacy Center (the “Center”) for the year ended December 31, 2023, and we will issue our report thereon dated August 16, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 29, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 2 to the financial statements. Except for the adoption of ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, the application of existing policies was not changed during the year ended December 31, 2023. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimates of the cost allocation between program and supporting services which are based on estimated time and effort, space usage, and other factors. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements as a whole.
- Management estimates the fair value and functional allocation of contributed nonfinancial assets and their usage for the Center’s program and supporting services. We evaluated the key factors and assumptions used in developing these estimates, which are based on current rates for similar goods, services, and facilities, and determined that they are reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 – Summary of Significant Accounting Policies
- Note 3 – Liquidity and Availability
- Note 5 – Contributions Receivable
- Note 6 – Net Assets with Donor Restrictions
- Note 7 – Contributed Nonfinancial Assets

To the Board of Directors and Management
of Food Literacy Center
Sacramento, California
Page 2

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected the single reclassifying entry proposed as shown on the attached schedule.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 16, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of the Center and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The PwC Group, LLP

Sacramento, California

Client: **20230108 - Food Literacy Center**
 Engagement: **2023 Audit - 2023 FLC Audit**
 Period Ending: **12/31/2023**
 Trial Balance: **3110.01 - Trial Balance**
 Workpaper: **3210.01 - Adjusting Journal Entries Report**

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
Reclassify contributions receivable to appropriate account			
11100	Contributions Receivable	120,838.00	
11000	Accounts Receivable		120,838.00
Total		<u>120,838.00</u>	<u>120,838.00</u>
	Total Adjusting Journal Entries	<u>120,838.00</u>	<u>120,838.00</u>
	Total All Journal Entries	<u>120,838.00</u>	<u>120,838.00</u>