

DURANGO FOOD BANK
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

DURANGO FOOD BANK
CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 15

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Durango Food Bank
Durango, Colorado

We have audited the accompanying financial statements of the Durango Food Bank (a Colorado nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Durango Food Bank as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Parker, Colorado
December 9, 2021

DURANGO FOOD BANK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Assets:

Cash and cash equivalents - without donor restrictions	\$ 658,460
Cash and cash equivalents - with donor restrictions	1,870
Accounts receivable	34,288
Prepaid expenses	500
Inventory	163,029
Investments - without donor restrictions	<u>25,064</u>
 Total Current Assets	 <u>883,211</u>

Property and Equipment, at cost:

Building	265,367
Furniture and fixtures	74,011
Vehicles	<u>41,875</u>

381,253

Less accumulated depreciation	<u>162,642</u>
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Net Property and Equipment	<u>218,611</u>
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TOTAL ASSETS	<u>\$ 1,101,822</u>
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LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 750
Note payable - current portion	<u>9,873</u>

Total Current Liabilities	10,623
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Note payable less current portion	<u>92,391</u>
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Total Liabilities	<u>103,014</u>
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Net Assets:

Without donor restrictions	996,938
With donor restrictions	<u>1,870</u>

Total Net Assets	<u>998,808</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,101,822</u>
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DURANGO FOOD BANK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND GAINS (LOSSES):			
In-kind contributions	\$ 30,352	\$ 979,607	\$ 1,009,959
Contributions	419,517	186,494	606,011
Grants	38,200	19,800	58,000
Interest income	2,212	-	2,212
Miscellaneous income	1,375	-	1,375
Unrealized loss	(65)	-	(65)
Total before reclassifications	491,591	1,185,901	1,677,492
Net assets released from restriction	1,184,031	(1,184,031)	-
Total support, revenue and gains (losses)	1,675,622	1,870	1,677,492
 EXPENSES:			
Program	1,140,217	-	1,140,217
Management and general	20,030	-	20,030
Fundraising	5,115	-	5,115
Total expenses	1,165,362	-	1,165,362
 CHANGE IN NET ASSETS			
	510,260	1,870	512,130
 NET ASSETS - BEGINNING OF YEAR			
	486,678	-	486,678
 NET ASSETS - END OF YEAR			
	\$ 996,938	\$ 1,870	\$ 998,808

DURANGO FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program	Management and General	Fundraising	Total
Wages and Related Costs:				
Gross wages	\$ 75,304	\$ 6,454	\$ 3,227	\$ 84,985
Payroll taxes and benefits	<u>13,375</u>	<u>1,401</u>	<u>701</u>	<u>15,477</u>
Total Wages and Related Costs	88,679	7,855	3,928	100,462
Food distribution	990,404	-	-	990,404
Occupancy and utilities	26,000	881	330	27,211
Professional fees	66	7,872	25	7,963
Depreciation	10,228	900	338	11,466
Supplies	7,820	199	75	8,094
Insurance	6,324	568	213	7,105
Telephone	3,788	340	128	4,256
Vehicle expense	2,906	-	-	2,906
Interest	1,632	147	55	1,834
Bank and credit card fees	-	1,062	-	1,062
Postage	853	-	-	853
Advertising	686	32	12	730
Dues and subscriptions	368	28	11	407
Printing and reproduction	366	-	-	366
Miscellaneous expenses	-	146	-	146
Travel	<u>97</u>	<u>-</u>	<u>-</u>	<u>97</u>
Total Expenses	<u>\$ 1,140,217</u>	<u>\$ 20,030</u>	<u>\$ 5,115</u>	<u>\$ 1,165,362</u>

DURANGO FOOD BANK
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:

Increase in net assets	\$ 512,130
Adjustments to reconcile increase (decrease) in net assets to net cash from (used for) operating activities:	
Depreciation	11,466
In-kind contribution capitalized	(4,498)
Changes in assets and liabilities:	
Increase in accounts receivable	(34,288)
Increase in inventory	(97,076)
Increase in prepaid expenses	(500)
Increase in accounts payable	750
Total Adjustments	(124,146)
Net Cash From Operating Activities	387,984

CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:

Purchase of investments	(11,997)
Net Cash Used For Investing Activities	(11,997)

CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:

Repayments on note payable	(12,241)
Net Cash Used For Investing Activities	(12,241)

NET INCREASE IN CASH 363,746

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 296,584

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 660,330

RECONCILIATION TO CASH AND CASH EQUIVALENTS - END OF YEAR:

Cash and cash equivalents - without donor restrictions	\$ 658,460
Cash and cash equivalents - with donor restrictions	1,870
Total Cash and Cash Equivalents - End of Year	\$ 660,330

DURANGO FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Durango Food Bank (the Organization), a Colorado Nonprofit Organization, was incorporated in 2001. The Organization's mission is to work in collaboration with the community to feed and empower neighbors in need. The Durango Food Bank distributes food to approximately 12,000 La Plata County residents struggling with food insecurity each year. Services are provided with compassion, dignity and respect by the staff and volunteers.

The Organization receives support from monetary contributions and in-kind food contributions. Contributions are received from government entities, foundations and the general public and are recognized as income when received.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with the U.S. generally accepted accounting principles (GAAP). Net assets and revenues, expenses, gains and losses are classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Without donor restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, receiving interest from operating investments, less expenses incurred in providing support, raising contributions, and performing administrative functions.

With donor restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt; endowment, annuity, and life income gifts; pledges; and investment returns on endowment funds held in perpetuity, and endowments where the principal may be expended upon the passage of a stated period of time. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash on hand, cash on deposit subject to immediate withdrawal and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid expenses. Prepaid items are recognized as expenses during the period benefited.

DURANGO FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventories consist of undistributed non-perishable (canned and boxed) and perishable food (fresh produce, dairy and meat), and grocery products (personal hygiene items). Inventory is valued using the weight of the inventory on hand at December 31, 2020 at \$1.74 per pound.

Property and Equipment

The Organization capitalizes property and equipment, at cost if purchased or fair value if contributed, for amounts in excess of \$2,500 with a useful life more than one year. Such items are depreciated using the straight-line method over their estimated useful lives of seven to thirty-nine years.

Support and Revenue Recognition

The Organization recognizes contributions received in accordance with the requirements established under the Not-for-Profit - Revenue Recognition Topic of the FASB ASC. Under this topic, contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

In-Kind Contributions

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The operating expenses of the Organization are allocated to three different functional categories based on management's estimate of the time and expense spent for each of the functions. These functions are as follows:

Program - Costs associated with providing individuals and families food.

Management and General - Costs associated with operating the Organization's office, including gathering and processing financial and legal information.

Fundraising - Costs associated with fundraising efforts to benefit the Organization.

The financial statements report certain expenses that are attributable to program, management and general and fundraising functions. Accordingly, certain costs have been allocated on the basis of time and effort include gross wages, payroll taxes and benefits, occupancy, utilities, depreciation, supplies, insurance and interest. Remaining expenses have been allocated to each category based on the direct expenditures incurred.

DURANGO FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Organization continues to qualify to be treated as a tax-exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying statement of financial position along with any interest and penalties that would result from that assessment.

Based on the results of management's evaluation, the requirements did not have a material effect on the Organization's financial statements. Consequently, no liability is recognized in the accompanying balance sheet for uncertain income tax positions.

The Organization's federal returns (Form 990 and 990T, if filed) are subject to examination by the Internal Revenue Service generally for three years after they are filed. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

Fair Value of Financial Instruments

Generally Accepted Accounting Principles (GAAP) requires disclosure of an estimate of fair value of certain financial instruments. The Organization's financial instruments are cash, cash equivalents, and investments. The recorded value of these financial instruments approximate fair values based on their short-term nature.

Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

DURANGO FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. Then again, in June 2020, the FASB issued ASU 2020-05 as a limited deferral of the effective date for annual periods beginning after December 15, 2019. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include: (a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale on whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. Then again, in June 2020, the FASB issued ASU 2020-05 as a limited deferral of the effective date for annual periods beginning after December 15, 2021. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

DURANGO FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 2 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization places cash in excess of its general expenditures, liabilities and other obligations in interest bearing savings accounts, certificates of deposit or other investments.

Financial assets - end of year	\$ 719,683
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions (see Note 8):	
Restricted by donor with purpose restrictions	1,870
Financial assets available to meet cash needs for general expenditures within one year	\$ 717,813

NOTE 3 INVENTORY

As of December 31, 2020, inventory consisted of \$163,209 of undistributed food and grocery products. The Organization has not recorded an inventory allowance for obsolete inventory due to the high demand of food assistance and food expiration dates.

NOTE 4 INVESTMENTS

The following presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 13,302	\$ -	\$ -	\$ 13,302
Investments held by CFSSC	11,762	-	-	11,762
Total	\$ 25,064	\$ -	\$ -	\$ 25,064

The Organization has invested funds with Community Foundation Serving Southwest Colorado (CFSSC), a 501c(3) organization. CFSSC pools funds received from area nonprofits and acts as a fund manager for the funds. The funds held in this account will be used at the discretion of DFB's Board of Directors for purposes including but not limited to short or long-term reserves, operations or capital projects.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2020:

	Beginning Balance	Additions	Disposals	Ending Balance
Building	\$ 265,367	\$ -	\$ -	\$ 265,367
Furniture and fixtures	69,512	4,499	-	74,011
Vehicles	41,875	-	-	41,875
Total	376,754	\$ 4,499	\$ -	381,253
Accumulated depreciation	151,176			162,642
Net Property and Equipment	\$ 225,578			\$ 218,611

Depreciation for the year ended December 31, 2020 was \$11,466.

DURANGO FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 6 **NOTE PAYABLE**

In November 2017, the Organization renewed the note with a bank to extend the maturity date to November 15, 2029. The loan calls for monthly payments of \$1,173, including interest of 4.50% through November 2022 and increasing to monthly payments of \$1,188 with the interest rate based on the bank’s five year base rate (currently 4.875%) for the remainder of the note. The total amount due on the loan at December 31, 2020 is \$102,264. Future scheduled maturities of the note are as follows:

Years ending December 31:	
2021	\$ 9,873
2022	10,124
2023	10,476
2024	10,998
2025	11,547
Thereafter	<u>49,246</u>
	<u>\$ 102,264</u>

NOTE 7 **NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consists of the following:

Available for operations	\$ 50,592
Net investment in property and equipment	116,347
Board designated - facility expansion	700,000
Board designated - operating reserve	80,000
Board designated - fixed asset and equipment purchases	<u>50,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 946,348</u>

NOTE 8 **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions represents \$1,870 for vehicle maintenance. Net assets with donor restrictions will be released in the future when the Organization satisfies the restrictions specified by the donor(s).

DURANGO FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 9 IN-KIND CONTRIBUTIONS AND EXPENSES

In-kind contributions of services and goods are recognized in the financial statements at their estimated value at date of receipt. In-kind contributions for the year ended December 31, 2020 consisted of:

	Program	Management and General	Fundraising	Total
Food	\$ 979,607	\$ -	\$ -	\$ 979,607
Occupancy and utilities	17,714	154	58	17,926
Professional fees	819	5,367	25	6,211
Supplies	970	-	-	970
Advertising	352	32	12	396
Dues and subscriptions	312	28	11	351
Total in-kind expenses	999,774	5,581	106	1,005,461
Fixed asset capitalized	4,498	-	-	4,498
Total in-kind contributor	<u>\$ 1,004,272</u>	<u>\$ 5,581</u>	<u>\$ 106</u>	<u>\$ 1,009,959</u>

In addition, volunteers possessing non-specialized skills contributed 3,868 hours of their time to the Organization. These volunteer hours have been valued at \$117,239; however, this value has not been recorded in the financial statements due to the fact specialized skills were not required to complete the work.

NOTE 10 LEASE COMMITMENT

The Organization entered into a lease agreement for its warehouse space in September 2020. The monthly warehouse space is valued at \$4,500; the lease requires monthly payments of \$500 by the Organization with the remaining \$4,000 donated by the landlord. The lease is scheduled to terminate in May 2021.

Rental expense for the year ended December 31, 2020 was:

In-kind rent contribution (see Note 9)	\$ 16,000
Rent expense (paid by the Organization)	<u>2,000</u>
Total	<u>\$ 18,000</u>

The following represents the Organization's future lease obligations:

December 31, 2021	<u>\$ 2,500</u>
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DURANGO FOOD BANK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 11 PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received a conditional contribution funded through a Small Business Administration (SBA) loan in the amount of \$16,700 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over eighteen months at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds for purposes consistent with the PPP and in August 2021, the Organization was approved for forgiveness of the full amount of proceeds received. The Organization recognized \$16,700 as restricted grant revenue on the statement of activities for the year ended December 31, 2020, and the conditional contribution is recognized under operating activities on the statement of cash flows.

NOTE 12 CONCENTRATION OF CREDIT RISK

The Organization’s financial instruments that are exposed to concentrations of credit risk consist of cash. The Organization places its cash with high credit quality institutions. At times, cash may be held in accounts in excess of the FDIC insurance limit of \$250,000. At December 31, 2020, the Organization had a total of \$361,955 funds in excess of the FDIC limit held at one financial institution.

NOTE 13 SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 9, 2021, the date the financial statements were available to be issued. The Organization identified the following:

COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. As of March 2020, the World Health Organization declared the outbreak to constitute a "Public Health Emergency of International Concern" and pandemic.

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, development and distribution of the COVID-19 vaccine and the impact on our clients, employees, volunteers and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results on operations is uncertain.

Lease Commitment

The Organization entered into a new lease agreement for its warehouse space in May 2021. The monthly warehouse space is valued at \$4,500; the lease requires monthly lease payments of \$2,000 by the Organization with the remaining \$2,500 donated by the landlord. The lease is scheduled to terminate in April 2022.