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CERTIFIED PUBLIC ACCOUNTANTS

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SAN DIEGO HUNGER COALITION AUDITED FINANCIAL STATEMENTS DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
San Diego Hunger Coalition

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of San Diego Hunger Coalition (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 present fairly, in all material respects, the financial position of San Diego Hunger Coalition as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 San Diego Hunger Coalition 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 opinions.

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 San Diego Hunger Coalition's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and *Government 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.

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Auditor's Responsibilities for the Audit of the Financial Statements, continued

In performing an audit in accordance with generally accepted auditing standards and *Government 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 San Diego Hunger Coalition'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 San Diego Hunger Coalition'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022, on our consideration of San Diego Hunger Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of San Diego Hunger Coalition's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Hunger Coalition's internal control over financial reporting and compliance.

SAN DIEGO HUNGER COALITION

Statement of Financial Position

December 31, 2021

Assets

Cash & Cash Equivalents	\$	186,519
Grants Receivable - CalFresh Contract		396,824
Grants Receivable - P-EBT Contract		125,082
Grants Receivable - Other		116,172
Prepaid Expenses and Other Assets		<u>3,092</u>

Total Assets \$ 827,689

Liabilities and Net Assets

Liabilities

Accounts Payable	\$	108,931
Accounts Payable - CalFresh Subcontractors		298,135
Accounts Payable - P-EBT Subcontractors		82,431
Payroll Liabilities		33,828
Deferred Revenue		<u>1,250</u>

Total Liabilities \$ 524,575

Commitments and Contingencies (Note 6)

Net Assets

Without Donor Restrictions	\$	156,114
With Donor Restrictions		<u>147,000</u>
Total Net Assets		<u><u>303,114</u></u>

Total Liabilities & Net Assets \$ 827,689

The Accompanying Notes are an Integral Part of the Financial Statements

SAN DIEGO HUNGER COALITION

Statement of Activities

For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE & SUPPORT:			
Government Grant - CalFresh Contract	\$ 732,411	\$ -	\$ 732,411
Government Grant - P-EBT Contract	125,082	-	125,082
Contributions & Grants	427,525	258,868	686,393
SBA PPP Loan Forgiveness (Note 8)	117,300	-	117,300
Other Income	14,945	-	14,945
Net Assets Released from Restrictions	<u>455,699</u>	<u>(455,699)</u>	<u>-</u>
 Total Revenue & Support	 1,872,962	 (196,831)	 1,676,131
EXPENSES:			
Program Services	1,382,045	-	1,382,045
Supporting Services	<u>343,490</u>	<u>-</u>	<u>343,490</u>
 Total Expenses	 <u>1,725,535</u>	 <u>-</u>	 <u>1,725,535</u>
 Change in Net Assets	 147,427	 (196,831)	 (49,404)
Net Assets, Beginning of Year	98,687	253,831	352,518
Net Assets Placed into Restriction (Note 11)	<u>(90,000)</u>	<u>90,000</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 156,114</u>	<u>\$ 147,000</u>	<u>\$ 303,114</u>

The Accompanying Notes are an Integral Part of the Financial Statements

SAN DIEGO HUNGER COALITION

Statement of Functional Expenses

For the Year Ended December 31, 2021

	PROGRAM SERVICES					SUPPORTING SERVICES			Total Expenses
	CalFresh	School Meals	Hunger Free San Diego	Policy Advocacy	Total Programs	Management & General	Fund-Raising	Total Supporting	
Payroll & Related									
Salaries & Wages	\$ 190,676	\$ 128,305	\$ 168,763	\$ 68,268	\$ 556,011	\$ 110,390	\$ 110,780	\$ 221,169	\$ 777,181
Employee Benefits	16,879	14,022	13,562	6,183	50,646	6,794	9,114	15,907	66,553
Payroll Taxes	14,824	10,375	13,558	6,073	44,830	8,121	9,166	17,287	62,117
Total Payroll & Related	<u>222,379</u>	<u>152,702</u>	<u>195,882</u>	<u>80,524</u>	<u>651,487</u>	<u>125,304</u>	<u>129,060</u>	<u>254,364</u>	<u>905,851</u>
Other Expenses									
Accounting & Audit	3,990	2,685	3,531	1,428	11,634	13,710	2,318	16,028	27,662
Conferences & Meetings	-	398	1,584	-	1,982	372	-	372	2,354
Contractors - Information Tech.	2,004	1,349	1,774	718	5,845	1,160	1,165	2,325	8,170
Contractors - Other	18,261	6,985	31,171	3,692	60,109	20,426	27,551	47,977	108,086
Insurance	737	496	652	264	2,149	433	428	861	3,010
Miscellaneous	164	260	629	579	1,632	5,885	400	6,285	7,916
Occupancy	3,282	2,198	2,891	1,170	9,541	1,891	1,898	3,789	13,330
Printing	4	3	608	2	617	2	235	238	854
Staff Training & Education	-	-	26	-	26	1,150	49	1,199	1,225
Staff Travel & Mileage	45	768	84	91	989	129	130	259	1,248
Subcontractors - CalFresh	538,058	-	-	-	538,058	-	-	-	538,058
Subcontractors - P-EBT	-	82,431	-	-	82,431	-	-	-	82,431
Supplies & Equipment	116	78	103	42	338	5,454	67	5,521	5,859
Telephone, Internet & Website	4,289	2,164	3,042	1,151	10,647	1,967	2,306	4,273	14,920
Translation Services	-	-	4,562	-	4,562	-	-	-	4,562
Total Expenses	<u>\$ 793,330</u>	<u>\$ 252,517</u>	<u>\$ 246,539</u>	<u>\$ 89,659</u>	<u>\$ 1,382,045</u>	<u>\$ 177,884</u>	<u>\$ 165,606</u>	<u>\$ 343,490</u>	<u>\$ 1,725,535</u>

The Accompanying Notes are an Integral Part of the Financial Statements

SAN DIEGO HUNGER COALITION

Statement of Cash Flows

For the Year Ended December 31, 2021

CASH FLOWS FROM:

Operating Activities:	
Change in Net Assets	\$ (49,404)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:	
Forgiveness of SBA PPP Loan Payable	(117,300)
(Increase) / Decrease in:	
Grants Receivable - CalFresh Contract	(70,911)
Grants Receivable - P-EBT Contract	(125,082)
Grants Receivable - Other	(115,572)
Prepaid Expenses and Other Assets	(1,107)
Increase / (Decrease) in:	
Accounts Payable	(118,971)
Accounts Payable - CalFresh Subcontractors	23,109
Accounts Payable - P-EBT Subcontractors	82,431
Payroll Liabilities	11,529
Deferred Revenue	1,250
Net Cash (Used) by Operating Activities	<u>(480,028)</u>
Net (Decrease) in Cash & Cash Equivalents	(480,028)
Cash and Cash Equivalents at:	
Beginning of Year	<u>666,547</u>
End of Year	<u>\$ 186,519</u>

The Accompanying Notes are an Integral Part of the Financial Statements

SAN DIEGO HUNGER COALITION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 1. Nature of Organization

San Diego Hunger Coalition (SDHC) leads coordinated action to end hunger in San Diego County supported by research, education and advocacy. Through SDHC's CalFresh and Hunger Free Kids Task Forces, Hunger Free San Diego initiative and Hunger Free Activists, more than 300 organizations and 1,000 individuals come together to identify and eliminate systemic barriers to San Diego County residents accessing enough healthy food.

SDHC helps individuals and families purchase healthy food with CalFresh by making it easier to enroll.

CalFresh (aka Supplemental Nutrition Assistance Program or SNAP) is our nation's best defense against hunger. CalFresh is a monthly grocery supplement for low-income Californians, which has been proven to not only reduce food insecurity but improve health and other outcomes. To ensure all eligible San Diegans are able to enroll, SDHC provides training, technical assistance and pass-through funding from its administration of a state CalFresh outreach contract to partner agencies that guide low-income individuals and families through the enrollment process. SDHC provides leadership to the County of San Diego's Social Services Advisory Board and convenes monthly CalFresh Task Force meetings that bring the County's Health & Human Services Agency together with more than 40 community-based organizations countywide to: hear about changes in program regulations; learn best practices in assisting clients; discuss existing barriers to enrollment and identify solutions; launch new partnerships; and coordinate outreach.

SDHC reduces child hunger by increasing access to school meals and other child nutrition programs.

SDHC provides training and technical assistance for school districts and youth-serving organizations and advocates to: (1) expand sustainable school, afterschool and summer meal programs; and (2) ensure all eligible families receive Pandemic EBT benefits. SDHC helps partners assess their options and eligibility to operate various fully-funded nutrition programs and provides hands-on guidance with application processes, arranging vendors and sites, and strategies for boosting participation. SDHC leads monthly Hunger Free Kids Task Force meetings that bring together more than 30 San Diego County school districts to discuss changes to program guidelines, share best practices across districts, and identify when joint advocacy is needed to make it easier for schools and nonprofits to reach more children with healthy meals.

SDHC builds a more interconnected and effective hunger relief ecosystem through Hunger Free San Diego.

Spearheaded by SDHC, Hunger Free San Diego (HFSD) is a collaborative effort to take a data-informed and community-driven approach to ending hunger. HFSD is guided by an Advisory Board of 30+ CEOs, decision-makers and experts representing every type of hunger relief program. Thanks to successful trust-building and adoption of shared data and metrics, SDHC serves as the sector's data repository and produces maps and reports showing where nutrition insecure populations live, where food assistance is currently going, and where there are remaining gaps. All at zip code level. SDHC's Hunger Free Navigator™ Program trains nonprofit staff and residents in each community on how to connect clients, family, friends and neighbors to food assistance and provides resource fliers in 15 different languages.

SDHC advocates for policy and program changes to end hunger and increase access to healthy food.

SDHC advocates on behalf of and together with the 1 in 4 San Diegans with limited access to healthy, affordable food by engaging key decision makers and elected officials in supporting improvements to anti-hunger program regulations and policies. With a finger on the pulse of San Diego's hunger landscape, SDHC is a resource for county, state, and federal policymakers, providing research summaries, issue briefs, and case studies of what is happening on the ground in San Diego to inform policy and program decisions. SDHC's Hunger Free Activists program engages more than 19 nonprofit agencies (e.g., food banks, clinics, affordable housing, healthcare) and nearly 1,100 residents in shaping county, state and federal policies.

SAN DIEGO HUNGER COALITION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation: The financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

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 without donor restrictions are the net assets that are neither invested in perpetuity, nor purpose or time restricted by donor-imposed stipulations.

Net assets with donor restrictions: net assets with donor-imposed restrictions are the net assets that are contributions subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that either expire by the passage of time or can be fulfilled and removed by action of SDHC pursuant to these stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SDHC reports unconditional contributions restricted by donors as increases in net assets with donor restrictions in the reporting period in which the revenue is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. SDHC reports conditional contributions with restrictions by donors as increases in net assets without donor restrictions in the reporting period in which the condition has been satisfied and revenue has been recognized, and when the time restriction ends, or purpose restriction is accomplished.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Cash and Cash Equivalents: SDHC has defined cash and cash equivalents as cash in banks and certificates of deposits with an initial maturity of three months or less.

Grants Receivable – CalFresh and P-EBT Contracts: Grants Receivable – CalFresh and P-EBT Contracts are receivables from cost-reimbursement contracts with the California Association of Food Banks. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from past history. No allowance for doubtful accounts was considered necessary as of December 31, 2021.

SAN DIEGO HUNGER COALITION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 2. Summary of Significant Accounting Policies, continued

Property and Equipment: Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$2,000 and the useful life is greater than one year. Depreciation is computed using the straight-line method over the useful lives of the assets, which are seven years for furniture and five years for equipment.

Accounts Payable – CalFresh and P-EBT Subcontractors: As part of the contracts with the California Association of Food Banks, SDHC subcontracts with local agencies to provide CalFresh and P-EBT outreach. Upon receiving payments on Grants Receivable – CalFresh and P-EBT Contracts, SDHC pays subcontractors.

Donated Materials and Services: Donated materials and services are recognized as contributions if the materials or services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by SDHC. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of SDHC providing these services.

Note 3. Income Tax Status

SDHC is a public charity and is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. SDHC believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. SDHC is not a private foundation.

Note 4. Concentration of Credit Risk on Cash

SDHC maintains cash and cash equivalents in bank deposit and investment accounts. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000. SDHC has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash and cash equivalents.

SAN DIEGO HUNGER COALITION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 5. Concentration of Economic Risk

SDHC's activities are concentrated in the County of San Diego. For the year ended December 31, 2021, reimbursements related to the California Association of Food Banks contracts represent 51% of SDHC's revenue. Management is not aware of the existence of any pending severe or substantial funding cutbacks.

SDHC maintained reimbursement contracts with organizations in San Diego County conducting CalFresh enrollment and P-EBT outreach activities for which it invoiced the California Association of Food Banks and then passed through the reimbursement to subcontractors. Of the total grant revenue from CalFresh and P-EBT Contracts of \$857,493, 72% or \$620,489, was passed through to subcontractors.

Note 6. Commitments and Contingencies

Contracts: SDHC's contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, SDHC has no provisions for the possible disallowance of program costs on its financial statements.

Obligations Under Operating Lease: On October 1, 2015, SDHC extended its office space lease for a term of five years that expired on October 31, 2020. Base rent payments were \$2,335 per month and payments increased 3% annually on the anniversary of the relocation date, November 1. On February 15, 2017, SDHC expanded its office space in the same building and amended the lease terms previously noted. Base rent payments increased to \$4,203 per month beginning March 1, 2017, and payments increased 3% on the anniversary of the relocation date, March 1. This lease expired on February 28, 2021.

SDHC is charged for common area maintenance charges, parking, and utilities in addition to the base rent. Total lease payments under this lease amounted to \$4,593 in the year ended December 31, 2021.

SDHC entered into a month-to-month lease agreement for a smaller office space, beginning February 1, 2021.

Note 7. Employee Benefits

SDHC offers a retirement plan qualified under Section 401(k) of the Internal Revenue Code. Employees may make contributions of up to the maximum amount allowed by the Internal Revenue Code. SDHC contributed \$16,147 to the plan for the year ended December 31, 2021.

Accumulated unpaid employee vacation benefits are recognized as payroll liabilities of SDHC. As of December 31, 2021, the liability for accrued vacation is \$31,854. Accrued sick leave is not recorded as a liability but is recorded as an expense in the period taken since such benefits do not vest nor can the probability of payment be reasonably estimated.

SAN DIEGO HUNGER COALITION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 8. SBA PPP Loan

SDHC received a promissory note from First Republic Bank for the Paycheck Protection Program (PPP) to help SDHC through the COVID-19 pandemic. On April 25, 2020, SDHC received a promissory note in the amount of \$117,300 with a fixed annual interest rate of 1%.

SDHC submitted their forgiveness application on March 8, 2021, and on March 24, 2021, First Republic Bank informed SDHC that all principal and interest was forgiven in full.

SDHC has reported this forgiven loan of \$117,300 as income on the statement of activities and changes in net assets for the year ended December 31, 2021.

Note 9. Liquidity and Availability of Financial Assets

The following reflects SDHC's financial assets as of December 31, 2021, reduced by amounts not available for general expenditures within one year due to contractual or donor-imposed restrictions.

	<u>12/31/2021</u>
Financial assets	
Cash & Cash Equivalents, including restricted cash of \$90,000	\$ 186,519
Grants Receivable – CalFresh Contract	396,824
Grants Receivable – P-EBT Contract	125,082
Grants Receivable – Other	<u>116,172</u>
Total financial assets	<u>824,597</u>
Less: amounts not available to be used within one year	
Restricted cash to regranting	(90,000)
Donor-restricted to programs and operations	<u>(57,000)</u>
Financial assets not available to be used within one year	<u>(147,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 677,597</u>

SDHC receives contributions, grants, and promises to give restricted by donors, and considers government grants for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. SDHC structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. SDHC's capital and cash flows are relatively consistent throughout the year due to year-round grant writing and fundraising. To manage liquidity SDHC maintains adequate cash balances.

SAN DIEGO HUNGER COALITION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021, was \$147,000 and are comprised of purpose restrictions.

During the year ended December 31, 2021, net assets with donor restrictions of \$455,699 was released from restriction as the purpose restrictions were satisfied.

Note 11. Net Assets Placed into Restriction

During the year ended December 31, 2021, \$90,000 was placed into restriction. This amount represents regranting funds not disbursed as of December 31, 2021.

Note 12. Subsequent Events

The management of SDHC has reviewed the results of operations and evaluated subsequent events for the period of time from its year end December 31, 2021, through September 20, 2022, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SAN DIEGO HUNGER COALITION
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Program Title/ Federal Grantor/ Pass - Through Grantor	Assistance Listing Number	Grant or Contract Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass-through from California Association of Food Banks				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	18-7013	\$ 538,058	\$ 732,411
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Cost Grants	10.649	20-3167	82,431	125,082
Total U.S. Department of Agriculture			<u>620,489</u>	<u>857,493</u>
Total Grants Expended or Passed Through to Subrecipients			<u>\$ 620,489</u>	<u>\$ 857,493</u>

Subrecipient	Assistance Listing Number	Passed Through Amount
Alliance for African Assistance	10.561	\$ 39,597
Bonita Family Resource Center	10.561	18,595
Casa Familiar	10.561	5,604
Chula Vista Community Collaborative	10.561	39,292
Community Resource Center	10.561	35,024
Feeding San Diego	10.561	81,213
Home Start	10.561	22,984
Jewish Family Services	10.561	761
La Maestra Family Health Center	10.561	104,962
Neighborhood Healthcare	10.561	56,658
Samahan Health Centers	10.561	305
San Diego American Indian Health Center	10.561	1,165
San Diego Food Bank	10.561	52,312
San Ysidro Health Center	10.561	27,019
SBCS	10.561	26,495
Somali Family Service	10.561	890
True Care	10.561	25,182
		<u>\$ 538,058</u>
Bonita Family Resource Center	10.649	\$ 21,586
Chula Vista Community Collaborative	10.649	10,962
Feeding San Diego	10.649	1,621
Neighborhood Healthcare	10.649	14,749
San Ysidro Health Center	10.649	2,004
Somali Family Service	10.649	9,106
Union of Pan Asian Communities	10.649	7,827
Vista Community Clinic	10.649	12,000
YMCA Youth and Family Services	10.649	2,576
		<u>\$ 82,431</u>
Total Passed Through to Subrecipients		<u>\$ 620,489</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SAN DIEGO HUNGER COALITION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of San Diego Hunger Coalition (SDHC) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because it presents only a selected portion of the operations of SDHC, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of SDHC.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Indirect Cost Rate

SDHC has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
San Diego Hunger Coalition

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of San Diego Hunger Coalition (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Diego Hunger Coalition's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Diego Hunger Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of San Diego Hunger Coalition's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Hunger Coalition's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
San Diego Hunger Coalition

Report on Compliance of Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Diego Hunger Coalition's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of San Diego Hunger Coalition's major federal programs for the year ended December 31, 2021. San Diego Hunger Coalition's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, San Diego Hunger Coalition complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of San Diego Hunger Coalition and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of San Diego Hunger Coalition's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to San Diego Hunger Coalition's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on San Diego Hunger Coalition's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of Compliance, continued

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about San Diego Hunger Coalition's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 San Diego Hunger Coalition's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of San Diego Hunger Coalition's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of San Diego Hunger Coalition's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SAN DIEGO HUNGER COALITION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP? Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

FEDERAL AWARDS

Internal control over the major federal program(s):

- Material weakness(es) identified? No
- Significant deficiency (ies) identified? None reported

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

