



San Diego Food System Alliance

Financial Statements

**For the Year Ended
December 31, 2025**
*with comparative totals for 2024
and Independent Auditors' Report Thereon*

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INDEPENDENT AUDITORS' REPORT

The Board of Directors San Diego Food System Alliance

Opinion

We have audited the accompanying financial statements of San Diego Food System Alliance (a California nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of San Diego Food System Alliance as of December 31, 2025, 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. 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 Food System Alliance 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 San Diego Food System Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT *(continued)*

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Diego Food System Alliance'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 Food System Alliance'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 audited San Diego Food System Alliance's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia Berger & Berger

Danville, California
April 28, 2026

San Diego Food System Alliance

Statement of Financial Position
December 31, 2025
(with comparative totals as of 2024)

Assets

	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash and cash equivalents	\$ 1,368,161	\$ 910,183
Grants and contributions receivable	210,071	267,662
Prepays and other assets	4,772	5,403
Total current assets	<u>1,583,004</u>	<u>1,183,248</u>
Noncurrent Assets:		
Security deposits	1,750	1,750
Total noncurrent assets	<u>1,750</u>	<u>1,750</u>
Total assets	<u>\$ 1,584,754</u>	<u>\$ 1,184,998</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 31,748	\$ 16,355
Accrued payroll liabilities	76,223	76,651
Total liabilities	<u>107,971</u>	<u>93,006</u>
Net Assets:		
Without donor restrictions	455,030	351,109
With donor restrictions	1,021,753	740,883
Total net assets	<u>1,476,783</u>	<u>1,091,992</u>
Total liabilities and net assets	<u>\$ 1,584,754</u>	<u>\$ 1,184,998</u>

San Diego Food System Alliance

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2025 *(with comparative totals for 2024)*

	Without Donor Restrictions	With Donor Restrictions	2025	2024
Revenue and support:				
Foundation grants	\$ 541,041	\$ 1,056,696	\$ 1,597,737	\$ 866,969
Government grants	522,933	-	522,933	878,248
Individual and corporate contributions	77,547	65,000	142,547	45,400
Program service fees	24,765	-	24,765	-
Conferences	2,239	-	2,239	19,726
Interest income	11,005	-	11,005	15,244
Contributions of nonfinancial assets	926	-	926	-
Net assets released from restrictions	840,826	(840,826)	-	-
Total revenue and support	<u>2,021,282</u>	<u>280,870</u>	<u>2,302,152</u>	<u>1,825,587</u>
Expenses:				
Program	1,449,458	-	1,449,458	1,649,822
General and administrative	232,357	-	232,357	175,438
Fundraising	235,546	-	235,546	208,020
Total expenses	<u>1,917,361</u>	<u>-</u>	<u>1,917,361</u>	<u>2,033,280</u>
Increase in net assets	103,921	280,870	384,791	(207,693)
Net assets at beginning of year	351,109	740,883	1,091,992	1,299,685
Net assets at end of year	<u>\$ 455,030</u>	<u>\$ 1,021,753</u>	<u>\$ 1,476,783</u>	<u>\$ 1,091,992</u>

San Diego Food System Alliance

Statement of Cash Flows
For the Year Ended December 31, 2025
(with comparative totals for 2024)

	2025	2024
Operating activities:		
Increase (decrease) in net assets	\$ 384,791	\$ (207,693)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Changes in:		
Grants and contributions receivable	57,591	145,134
Prepays and other assets	631	-
Security deposits	-	2,369
Accounts payable and accrued liabilities	15,393	(6,777)
Accrued payroll liabilities	(428)	8,593
Net cash provided by (used for) operating activities	457,978	(58,374)
Increase (decrease) in cash and cash equivalents	457,978	(58,374)
Cash and cash equivalents at beginning of year	910,183	968,557
Cash and cash equivalents at end of year	\$ 1,368,161	\$ 910,183

San Diego Food System Alliance

Statement of Functional Expenses For the Year Ended December 31, 2025 *(with comparative totals for 2024)*

	Program	General and Administrative	Fundraising	2025 Total	2024 Total
Salaries and benefits	\$ 765,069	\$ 159,637	\$ 186,205	\$ 1,110,911	\$ 1,138,949
Payroll taxes	55,269	11,270	13,122	79,661	83,800
Professional services	281,860	-	-	281,860	375,638
Sponsored project expenses	267,167	-	-	267,167	102,715
Accounting	-	40,009	-	40,009	14,920
Information technology	20,493	5,646	11,161	37,300	55,688
Occupancy	20,505	4,344	4,982	29,831	32,116
Consulting	-	-	17,945	17,945	19,570
Conferences	16,644	-	-	16,644	126,033
Insurance	6,240	1,775	1,582	9,597	16,153
Legal	4,051	4,525	-	8,576	1,282
Travel	7,030	633	153	7,816	19,121
Supplies	3,808	1,152	8	4,968	26,081
Bank fees	-	1,621	89	1,710	2,202
Office expenses	341	675	216	1,232	2,086
Advertising and promotion	477	-	-	477	1,242
Taxes and fees	-	225	-	225	200
Dues and memberships	35	4	4	43	1,500
Web developer	-	-	-	-	5,044
Other expenses	469	841	79	1,389	8,940
Total expenses	\$ 1,449,458	\$ 232,357	\$ 235,546	\$ 1,917,361	\$ 2,033,280

Notes to Financial Statements
December 31, 2025
(with comparative totals for 2024)

1. Organization

San Diego Food System Alliance (the "Alliance") is a non-profit organization incorporated in the State of California in 2019. The Alliance's mission is to cultivate a healthy, sustainable, and just food system in San Diego County. The Alliance envisions vibrant community food systems rooted in justice and sustainability, where everyone has equitable opportunity to produce, distribute, prepare, serve, and eat nutritious and culturally appropriate food.

The Alliance promotes cross-sector collaboration among individuals and organizations from the nonprofit, government, philanthropic, and business sectors to drive systems-level change in the food system. Key activities include supporting network development, advancing systems thinking and strategic alignment, and leading regional food system planning and evaluation efforts.

The Alliance also influences food system policy by coordinating advocacy efforts, uplifting community voices in decision-making spaces, and supporting the adoption and implementation of equitable policies. Additionally, the Alliance catalyzes transformation through education, community engagement, and capacity-building programs aimed at increasing awareness and creating long-term change in the regional food system.

2. Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Alliance have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"); consequently, revenues and gains are recognized when earned, and expense and losses are recognized when incurred regardless of the timing of cash flows.

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

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 GAAP. Accordingly, such information should be read in conjunction with the Alliance's audited financial statements for the year ended December 31, 2024, from which the summarized information was derived.

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

Notes to Financial Statements
December 31, 2025
(with comparative totals for 2024)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents – All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Financial Instruments and Credit Risk – Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Alliance to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2025, the Alliance held \$611,222 in cash deposits in excess of FDIC insurance limits. To date, no losses have been experienced in any of these accounts.

Credit risk associated with contributions and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of the Alliance’s mission.

Contributions and Grants Receivable – The Alliance records contributions and grants receivable expected to be collected within one year at net realizable value. Contributions and grants 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 discount is included in contribution revenue in the statement of activities and changes in net assets. Any allowance for uncollectible contributions and grants receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions and grants receivable are written off when deemed uncollectible. Historically, the Alliance has collected all of its contributions and grants receivable. As a result, management has determined that no allowance for doubtful accounts is necessary as of December 31, 2025 and 2024.

Net Assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for any particular purpose, such as an operating reserve.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those restrictions which will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates resources be maintained in perpetuity. The Alliance reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

Notes to Financial Statements
December 31, 2025
(with comparative totals for 2024)

2. Summary of Significant Accounting Policies (continued)

Net Assets (continued) – When a donor 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Contributions of Nonfinancial Assets – Contributed services and in-kind contributions are reflected at the fair value of the contribution received in accordance with *ASC 958-605, Not-for-Profit Entities – Revenue Recognition*. The contributions of services, equipment and other materials are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition to contributed nonfinancial assets, volunteers may contribute time to our 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 generally accepted accounting principles.

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASC 958-605, Not-for-Profit Entities – Revenue Recognition and ASC 606, Revenue from Contracts with Customers*. Revenue from exchange transactions with customers is recognized when the Alliance’s related performance obligations are satisfied, either over time or at a point in time. Collections in advance of revenue recognition are recorded as unearned revenue. Contributions are recognized as revenue upon receipt and are recorded based on the existence and/or nature of any donor restrictions. The Alliance’s significant revenue streams and the related revenue recognition policies are as follows:

- **Contributions and Grants** – The Alliance recognizes all contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received, regardless of whether any related donor-imposed restrictions have been fulfilled. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions. When a donor-imposed time or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction.
- **Program Service Fees** – Program service fees consist of earned income from mission-related programs and are recognized when the related services are provided. The Alliance administers certain sponsored projects that further its mission by receiving donations, grants, and other income for the support of those projects and retaining an administrative sponsorship fee based on the terms of the arrangement. Related project disbursements and costs are reported as sponsored project expenses.
- **Conferences** – Conference revenue consists of registrations, sponsorships, and other contributions received in connection with the Alliances’ annual gathering and other mission-related convenings. Revenue is recognized when the related event occurs or when contributions are received or pledged, unless donor restrictions or conditions exist.

Notes to Financial Statements
December 31, 2025
(with comparative totals for 2024)

2. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Certain payments may include both exchange and contribution components. Such transactions are evaluated in accordance with applicable accounting guidance to determine the appropriate revenue recognition and to allocate amounts between exchange revenue and contribution revenue, when applicable.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute is accounted for as a refundable advance until the conditions have been substantially met.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities in accordance with the requirements of *ASC 958-205 - Not-for-Profit Entities - Presentation of Financial Statements*. The statement of functional expenses presents the natural classification detail of expenses by function.

Expenses that can be directly identified with a specific program or supporting service are charged directly to that function. Other costs that benefit more than one function have been allocated among the programs and supporting services on an equitable basis, as determined by management. Personnel expenses are allocated based on estimated time and effort, supported by the Alliance's payroll records and allocation methodology. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

Income Taxes – The Alliance has received determination letters from the Internal Revenue Service and the State of California Franchise Tax Board recognizing it as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively.

The Alliance's exemption from federal and state income taxes remains in effect and is subject to periodic review by the applicable taxing authorities. Management believes that the Alliance continues to operate in compliance with all applicable requirements to maintain its tax-exempt status.

The Alliance may be subject to tax on income that is unrelated to its exempt purpose. Management has evaluated the Alliance's tax positions in accordance with *ASC 740-10, Accounting for Uncertainty in Income Taxes*, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Notes to Financial Statements
December 31, 2025
(with comparative totals for 2024)

3. Cash and Cash Equivalents

The following table presents the composition of cash and cash equivalents at December 31:

	2025	2024
Checking accounts	\$ 566,276	\$ 399,179
Savings accounts	801,885	511,004
Total cash and cash equivalents	\$ 1,368,161	\$ 910,183

4. Grants and Contributions Receivable

Grants and contributions receivable totaled \$210,071 and \$267,662 as of December 31, 2025 and 2024, respectively, all of which were due within one year of the respective statement of financial position dates.

5. Liquidity and Availability

The following table reflects the Alliance’s financial assets as of December 31, 2025 and 2024, that are available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of nonliquid assets are donor-restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

	2025	2024
Cash and cash equivalents	\$ 1,368,161	\$ 910,183
Grants and contributions receivable	210,071	267,662
Less: amounts not available to be used within one year		
Net assets with donor restrictions – purpose	(582,781)	(576,203)
Financial assets available to meet general expenditures over the next twelve months	\$ 995,451	\$ 601,642

The Board of Directors reviews financial plans and commitments on an ongoing basis to support the Alliance’s ability to meet near-term obligations while advancing its mission. The Alliance structures its financial assets to be available as general expenditures, liabilities, and other obligations become due.

Notes to Financial Statements
December 31, 2025
(with comparative totals for 2024)

6. Lease Commitments

The Alliance leases its corporate office space in San Diego, California under a one-year operating lease agreement which expires June 30, 2026. The lease provides for monthly payments in the amount of \$1,906. The Alliance is responsible for its proportionate share of building maintenance and operating expenses which includes property taxes, insurance, and utilities.

In accordance with *ASU 2016-02, Leases*, the Alliance elected to apply the short-term lease exemption for leases with an initial term of 12 months or less. As such, the Alliance is not required to recognize an operating right of use asset and corresponding lease liability for its office lease. Lease expense is recognized on a straight-line basis over the lease term.

7. Net Assets

Net assets without donor restrictions of \$455,030 and \$351,109 at December 31, 2025 and 2024, respectively, represent the cumulative retained surpluses of the Alliance since its inception.

Net assets with donor restrictions consist of the following at December 31:

	2025	2024
Subject to expenditure for specified purposes	\$ 582,781	\$ 576,203
Subject to the passage of time	438,972	164,680
Total net assets with donor restrictions	\$ 1,021,753	\$ 740,883

During the years ended December 31, 2025 and 2024, the Alliance recorded \$1,121,696 and \$843,442, respectively, in restricted grants and donations. Net assets with donor restrictions released to net assets without donor restrictions amounted to \$840,826 and \$1,051,526 for the years ended December 31, 2025 and 2024, respectively.

8. Compensated Absences

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under *ASC 710.25*, the Alliance is required to record a liability for the estimated amounts of compensation for vacation, sick leave, and personal time. Employees are permitted to accrue a specific number of hours for estimated future absences, and such accruals are recorded in the financial statements as a component of accrued payroll liabilities on the statement of financial position based on hourly rates in effect at the end of the fiscal year. These accrued benefits amounted to \$43,550 and \$53,394 at December 31, 2025 and 2024, respectively.

Notes to Financial Statements
December 31, 2025
(with comparative totals for 2024)

9. Employee Benefits Plan

The Alliance provides a Savings Incentive Match Plan for Employees IRA program for all full-time and part-time employees. The Alliance matches employees' pre-tax contributions up to 3% of their salary. Accordingly, the Alliance has recorded retirement expense, included in salaries and benefits, in the amount of \$23,500 and \$17,840 for the years ended December 31, 2025 and 2024, respectively.

10. Related Party Transactions

In compliance with *ASC 850, Related Party Disclosures*, the Alliance has evaluated its related party transactions. Certain board members of the Alliance made monetary contributions totaling \$4,850 for the year ended December 31, 2025. There were no related party transactions for the year ended December 31, 2024. These amounts are included within individual and corporate contributions on the statement of activities and changes in net assets.

11. Commitments and Contingencies

In the normal course of business, the Alliance could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate the Alliance to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond the Alliance's control, such as generosity of donors and general economic conditions, (c) employment contracts and service agreements with outside contractors, and (d) financial risks associated with funds on deposit at bank accounts. Management believes such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

12. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, the Alliance has evaluated subsequent events through April 28, 2026, the date the financial statements were available to be issued. For the year ended December 31, 2025, approximately 23% of total revenue was derived from a grant provided by the Regional Food Business Centers (RFBC) and another grant provided by the Increasing Land, Capital, and Market Access program (LCM). Both grants were sourced from the U.S. Department of Agriculture (USDA). The RFBC and LCM grants have expired as of September 15, 2025 and March 26, 2026, respectively.

The Alliance has implemented a strategic plan to reduce program expenses associated with the expired grants and is actively seeking alternative funding through corporate foundations and individual donor campaigns. While the loss of this funding represents a reduction in support, management believes these actions will mitigate the impact on the Alliance's ability to continue its core mission.