

HELPING HARVEST FRESH FOOD BANK

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2022 AND 2021
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY
CPAs & Business Advisors

HELPING HARVEST FRESH FOOD BANK

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MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Helping Harvest Fresh Food Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Helping Harvest Fresh Food Bank (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Helping Harvest Fresh Food Bank as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Helping Harvest Fresh Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Helping Harvest Fresh Food Bank's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

In performing an audit in accordance with GAAS 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 Helping Harvest Fresh Food Bank'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 Helping Harvest Fresh Food Bank'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* (CFR) 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 27, 2023 on our consideration of Helping Harvest Fresh Food Bank'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 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 Helping Harvest Fresh Food Bank's internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
September 27, 2023

HELPING HARVEST FRESH FOOD BANK

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Current assets		
Cash	\$ 1,237,868	\$ 3,690,510
Restricted cash	4,651	227,699
Investments	2,978,645	3,248,400
Accounts receivable	31,261	3,430
Grants receivable	527,476	116,247
Promises to give, current	135,000	216,000
Gift cards and certificates	45,344	94,176
Inventory		
Purchased	357,674	84,601
Donated	774,189	809,651
Prepaid expenses and other current assets	57,073	29,841
Total current assets	<u>6,149,181</u>	<u>8,520,555</u>
Property and equipment		
Land	757,848	594,770
Building and improvements	4,566,020	4,406,026
Office furniture and fixtures	19,715	19,715
Warehouse furniture and fixtures	14,354	14,354
Office equipment	105,048	101,267
Warehouse equipment	239,796	235,275
Vehicles	264,272	201,442
Construction in progress	59,153	-
	6,026,206	5,572,849
Less accumulated depreciation	<u>(1,350,733)</u>	<u>(1,146,662)</u>
Property and equipment, net	<u>4,675,473</u>	<u>4,426,187</u>
Other assets		
Promises to give, long term	45,000	234,000
Operating lease right-of-use assets, net of amortization	228,135	-
Beneficial interest in assets held by the Berks County Community Foundation	28,367	32,653
Total other assets	<u>301,502</u>	<u>266,653</u>
Total assets	<u>\$ 11,126,156</u>	<u>\$ 13,213,395</u>

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

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable	\$ 100,735	\$ 74,806
Accrued wages	112,726	85,271
Line of credit	119,016	-
Refundable advances	403,404	806,996
Current portion of note payable	14,932	15,747
Current portion of operating lease obligations	76,610	-
Current portion of capital lease obligations	-	265
	<u>827,423</u>	<u>983,085</u>
Total current liabilities		
Long-term liabilities, less current portions		
Note payable	244,957	260,415
Operating lease obligations	151,525	-
Capital lease obligations	-	3,325
	<u>396,482</u>	<u>263,740</u>
Total long-term liabilities, less current portions		
Total liabilities	<u>1,223,905</u>	<u>1,246,825</u>
Net assets		
Without donor restrictions		
Undesignated	6,757,024	8,787,803
Board designated	2,839,555	3,113,172
Total without donor restrictions	<u>9,596,579</u>	<u>11,900,975</u>
With donor restrictions	<u>305,672</u>	<u>65,595</u>
Total net assets	<u>9,902,251</u>	<u>11,966,570</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u><u>\$ 11,126,156</u></u>	<u><u>\$ 13,213,395</u></u>

HELPING HARVEST FRESH FOOD BANK

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions		
Revenue and gains		
Public support, monetary	\$ 3,344,427	\$ 4,062,685
Public support, in-kind contributions	8,455,124	6,238,970
Government grants, monetary	1,649,617	1,096,224
Government grants, in-kind contributions	3,042,989	3,178,916
Program services	463,933	836,955
Net investment return	(269,144)	106,844
PPP loan forgiveness	-	190,912
Miscellaneous income	<u>15,284</u>	<u>25,358</u>
Total revenue, gains, and other support	16,702,230	15,736,864
Expenses		
Food distribution and community service program	18,243,402	14,733,789
Management and general	499,630	411,979
Fundraising	<u>263,594</u>	<u>232,651</u>
Total expenses	<u>19,006,626</u>	<u>15,378,419</u>
Change in net assets without donor restrictions	(2,304,396)	358,445
Changes in net assets with donor restrictions		
Public support, monetary	<u>240,077</u>	<u>65,595</u>
Change in net assets with donor restrictions	<u>240,077</u>	<u>65,595</u>
Change in net assets	(2,064,319)	424,040
Net assets, beginning of the year	<u>11,966,570</u>	<u>11,542,530</u>
Net assets, end of the year	<u><u>\$ 9,902,251</u></u>	<u><u>\$ 11,966,570</u></u>

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

HELPING HARVEST FRESH FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Food Distribution and Community Service Program	Management and General	Fundraising	Total
Labor costs				
Wages and salaries	\$ 1,575,834	\$ 157,584	\$ 82,749	\$ 1,816,167
Payroll taxes and benefits	420,881	73,653	17,092	511,626
Contract labor	19,589	4,897	-	24,486
Total labor costs	2,016,304	236,134	99,841	2,352,279
Other costs				
Food purchases	3,592,635	-	-	3,592,635
Food donations	11,341,033	-	-	11,341,033
Supplies	130,465	14,492	-	144,957
Occupancy	101,531	24,658	18,855	145,044
Telephone	10,185	2,509	2,070	14,764
Feeding America	4,972	-	-	4,972
Commodity Supplemental Food Program	72,154	-	-	72,154
Program development	184,318	-	-	184,318
Freight	6,241	-	-	6,241
Equipment rent and maintenance	127,970	11,126	-	139,096
Professional dues	-	24,059	2,673	26,732
Office expense	47,601	11,726	9,661	68,988
Truck expense	403,068	-	-	403,068
Conferences and training	-	4,166	3,271	7,437
Professional fees	27,694	110,794	-	138,488
Fundraising fees	-	-	110,894	110,894
Insurance	26,218	6,553	-	32,771
Depreciation	151,013	36,731	16,329	204,073
Miscellaneous	-	4,814	-	4,814
Interest expense	-	11,868	-	11,868
Total other costs	16,227,098	263,496	163,753	16,654,347
Total expenses	\$ 18,243,402	\$ 499,630	\$ 263,594	\$ 19,006,626

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

HELPING HARVEST FRESH FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Food Distribution and Community Service Program	Management and General	Fundraising	Total
Labor costs				
Wages and salaries	\$ 1,343,774	\$ 134,378	\$ 82,749	\$ 1,560,901
Payroll taxes and benefits	306,643	53,662	17,092	377,397
Contract labor	63,303	15,826	-	79,129
Total labor costs	1,713,720	203,866	99,841	2,017,427
Other costs				
Food purchases	1,643,377	-	-	1,643,377
Food donations	10,398,823	-	-	10,398,823
Supplies	110,809	12,309	-	123,118
Occupancy	102,067	24,788	18,955	145,810
Telephone	9,657	2,379	1,962	13,998
Feeding America	1,243	-	-	1,243
Commodity Supplemental Food Program	60,237	-	-	60,237
Program development	72,308	-	-	72,308
Equipment rent and maintenance	174,018	15,130	-	189,148
Professional dues	-	36,516	4,057	40,573
Office expense	39,338	9,691	7,984	57,013
Truck expense	230,144	-	-	230,144
Conferences and training	-	1,093	858	1,951
Professional fees	10,890	43,568	-	54,458
Fundraising fees	-	-	83,090	83,090
Insurance	20,069	5,016	-	25,085
Depreciation	147,089	35,777	15,904	198,770
Miscellaneous	-	1,994	-	1,994
Interest expense	-	19,852	-	19,852
Total other costs	13,020,069	208,113	132,810	13,360,992
Total expenses	\$ 14,733,789	\$ 411,979	\$ 232,651	\$ 15,378,419

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

HELPING HARVEST FRESH FOOD BANK

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Changes in net assets	\$ (2,064,319)	\$ 424,040
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Paycheck Protection Program loan forgiveness	-	(190,912)
Depreciation	204,073	198,770
Donated food contributions	(5,412,135)	(3,060,054)
Distributions of donated food	5,447,597	4,044,975
Decrease in carrying amount of operating lease right-of-use asset	114,675	-
Net unrealized (gain) loss on investments	310,047	(100,590)
(Increase) decrease in		
Accounts receivable	(27,831)	3,693
Grants receivable	(411,229)	(40,779)
Promises to give	270,000	(450,000)
Gift cards and certificates	48,832	(13,988)
Purchased inventory	(273,073)	127,604
Prepaid expenses	(27,232)	(27,210)
Increase (decrease) in		
Accounts payable	25,929	(27,659)
Accrued wages	27,455	(32,625)
Refundable advances	(403,592)	186,495
Operating lease obligations	(114,675)	-
Net cash provided by (used in) operating activities	(2,285,478)	1,041,760
Cash flows from investing activities		
Cash paid for property and equipment	(453,359)	(733,278)
Purchase of investments	(30,675)	(3,002,975)
Interest reinvested in investments	(5,331)	(1,463)
Net cash used in investing activities	(489,365)	(3,737,716)
Cash flows from financing activities		
Net borrowings on line of credit	119,016	-
Payments on note payable	(16,273)	(15,748)
Payments on capital lease obligations	-	(8,417)
Payments on finance leases	(3,590)	-
Net cash provided by (used in) financing activities	99,153	(24,165)
Net increase (decrease) in cash and restricted cash	(2,675,690)	(2,720,121)
Cash and restricted cash, beginning of year	3,918,209	6,638,330
Cash and restricted cash, end of year	<u>\$ 1,242,519</u>	<u>\$ 3,918,209</u>
Supplemental disclosure of cash flow information		
Cash paid for		
Interest	<u>\$ 11,868</u>	<u>\$ 19,852</u>

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

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Helping Harvest Fresh Food Bank (the “Organization”) is a nonprofit organization that collects, stores, and distributes surplus food and other food products to charitable organizations serving the food insecure in Berks and Schuylkill Counties. The Organization is supported primarily through public support and government grants.

The Organization accomplishes its mission by distributing food and grocery products through a network of over 300 grassroots and community programs. The Organization also manages the Commodity Supplemental Food Program for low-income senior citizens in Berks and Schuylkill counties and operates a weekend backpack program serving students and their families.

The Organization is a member of Feeding America, a national Food Bank Network.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization’s financial statement presentation includes the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-profit Entities*. FASB ASC 958 requires the Organization to report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

The Board of Directors has designated, from net assets without donor restrictions, net assets for a board-designated endowment fund. See Note 9.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that 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. See Note 9.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, 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.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all cash and all highly liquid debt instruments purchased with a maturity of three months or less to be cash. Cash and cash equivalents held in the Organization's investment portfolio are included as investments on the statements of financial position. See Note 5.

For purposes of statement of cash flow presentation, cash and restricted cash consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,237,868	\$ 3,690,510
Restricted cash	<u>4,651</u>	<u>227,699</u>
Total cash and restricted cash	<u><u>\$ 1,242,519</u></u>	<u><u>\$ 3,918,209</u></u>

Feeding America requires a minimum of a 3-month cash reserve to cover operating expenses.

Grant monies received, restricted for the purchase of food but not yet expended at year end, are reported as restricted cash and maintained in a separate bank account, as required.

Promises to Give

Promises to give are stated at their outstanding balance. Promises to give are recognized when the Organization is notified of the promises. The Organization considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for uncollectible promises to give will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to earnings and a credit to accounts receivable. Management has concluded that, based on its review of any remaining material balances outstanding, a valuation allowance was not needed.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Inventories

Purchased inventories - are stated at lower of cost (first-in, first-out) or market using wholesale competitive bid prices or better.

Donated inventories - *national and local* - are stated at the average wholesale value per pound at approximately \$1.92 and \$1.79 in 2022 and 2021. The average wholesale value of donated food was determined based upon a study performed by Feeding America.

Federal inventories - are stated at the United States Department of Agriculture (USDA) published commodity price per case and are included in donated inventories and are included in donated inventories.

Property and Equipment

Property and equipment are capitalized and recorded at cost if the per unit cost is \$500 or more and with an estimated useful life of greater than one year.

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Building and improvements	10 - 40
Office furniture, fixtures, and equipment	3 - 10
Warehouse furniture and fixtures	3 - 10
Warehouse and equipment	5 - 10
Vehicles	5

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the statements of activities.

Depreciation expense for the years ended December 31, 2022 and 2021, was \$204,073 and \$198,770, respectively.

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the years ended December 31, 2022 and 2021. The Organization was organized under the Pennsylvania Non-Profit Law of 1988 and, as such, is exempt from state income taxes. The Organization adheres to the provisions of FASB ASC 740, *Income Taxes*. ASC 740 establishes rules for recognizing and measuring tax positions taken in an income tax return, including disclosures of uncertain tax positions (UTPs). ASC 740 mandates that companies evaluate all material income tax positions for periods that remain open under applicable statutes of limitation, as well as positions expected to be taken in future returns. The UTP rules then impose a recognition threshold on each tax position. A company can recognize an income tax benefit only if the position has a “more likely than not” (i.e., more than 50 percent) chance of being sustained on the technical merits. For the years ended December 31, 2022 and 2021, the Organization has taken no material tax positions on its applicable tax filings that do not meet the “more likely than not” threshold. As a result, no amount for UTPs has been included in the financial statements.

The Organization's exempt organization business income tax returns are no longer subject to examination by the appropriate taxing authorities for the years prior to 2019.

Public Support (Contributions)

Revenue is considered a contribution to the Organization if commensurate value has not been exchanged.

Conditional gifts occur when a barrier has been established by the donor and the donor has a right to be released from the commitment to the Organization. Conditional gifts are not recognized as revenue until the barrier has been overcome and the donor's right of release has been satisfied. Conditional gifts that have been received are reported as refundable advances until the barrier has been overcome.

Unconditional gifts occur when no barrier to recognition exists or the gift does not include a donor release. These unconditional gifts may continue to carry restrictions on their purpose or application. As such, unconditional gifts may include promises to give and may be included in net assets with donor restrictions or net assets without donor restrictions.

All unconditional contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or that are restricted by the donor for specific purposes, are reported as net assets with donor restrictions unless the restriction expired in the same accounting period. Revenue with restrictions that are met in the same fiscal year is considered unrestricted revenues. When a temporary restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Government Grants and Contracts

Revenue from government contracts, which are considered nonreciprocal transactions restricted for certain purposes without an exchange of commensurate value, is recognized as revenue when eligible qualifying expenditures are incurred and conditions under the agreements are met. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Any disallowed costs due to oversight agency audits are recognized in the period the funds are repaid after the oversight agency has made its determination and issued a final corrective action plan requiring repayment of such costs. No amounts were repaid during the years ended December 31, 2022 or 2021.

Refundable Advances

Refundable advances consist of government funding which was received in advance of expense incurred. Upon the Organization incurring the expenses they will recognize the revenue in the appropriate year.

Donated Food and Grocery Products

The Organization reports gifts of donated food and grocery products over which it has control (i.e. variance power) as unrestricted public support and as an expense when granted to local food rescue organizations (e.g. local food pantries). The Organization distributed donated products received from national, state, and local donors approximating 6.9 million and 7.0 million pounds during the years ended December 31, 2022 and 2021.

USDA agriculture products are valued at a commodity price per case, as published by the USDA for the Emergency Food Assistance Program, Bonus Commodities and Commodity Supplemental Food Program.

For the years ended December 31, 2022 and 2021, in-kind food donations have been reflected in the financial statements at their estimated fair value of \$11,498,113 and \$9,417,886. The total value includes USDA commodity donations valued at \$3,042,989 and \$3,178,916 for years ended December 31, 2022 and 2021.

Donated Services

The Organization's Board of Directors and a substantial number of volunteers donate significant hours to the Organization's program services and fund-raising campaigns each year. Donated services are not reflected in the accompanying financial statements because they do not meet the criteria for recognition. Total volunteer hours were 28,126 and 20,872 for the years ended December 31, 2022 and 2021, respectively.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Shipping and Handling Fees and Costs

All amounts billed for food distribution related to shipping and handling represent revenues earned and are reported in program services revenue. The costs incurred by the Organization for shipping and handling are reported in food distribution.

Functional Allocation of Expenses

The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using both estimates and specific identification. See Note 6.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts with various financial institutions which at times exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization does not believe that it is exposed to any significant risk with regards to these accounts.

Leases

The Organization has operating leases for various vehicles and equipment. The determination of whether an arrangement is or contains a lease is made at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease obligations on the statement of financial position. Finance leases are included in property and equipment, net, and finance liabilities on the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the risk-free rate used is based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Recently Adopted Accounting Standards

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. The Organization adopted the standard effective January 1, 2022, and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial indirect costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new standard on January 1, 2022, the Organization recognized on January 1, 2022 an operating lease obligation of \$491,464, which represents the present value of the remaining operating lease payments of \$579,118, discounted using the implicit rate present in the agreements of 6%, and an operating ROU asset of \$491,464.

The standard had a material impact on the Organization's statements of financial position but did not have an impact on the statements of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease obligation for operating leases, while the accounting for finance leases remained substantially unchanged. There was no adjustment to net assets as a result of adopting the new lease standard.

During 2022, the Organization adopted FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The changes associated with this ASU include the requirement for contributed nonfinancial assets to be reported separately in the statements of activities and additional disclosures regarding their use and valuation techniques utilized. The changes became effective for the Organization on January 1, 2022, and were applied retrospectively. There was no significant impact on the Organization's financial statements as a result of adopting this standard other than additional disclosures.

Reclassification

Certain amounts in the 2021 financial statements have been reclassified to conform to presentation of the 2022 financial statements.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through September 27, 2023, the date the financial statements were available to be issued.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets as of December 31, 2022 and 2021, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash	\$ 1,237,868	\$ 3,690,510
Investments	2,978,645	3,248,400
Accounts receivable	31,261	3,430
Grants receivable	527,476	116,247
Promises to give - current	135,000	216,000
Less board designated net assets	(2,839,555)	(3,113,172)
Less net assets with donor restrictions	(305,672)	(65,595)
Total	<u>\$ 1,765,023</u>	<u>\$ 4,095,820</u>

The Organization manages its liquidity and cash reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of the Organization's liquidity management plan, the Organization has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses. The Organization invests cash in excess of daily requirements in certificates of deposit and forecasts its future cash flows and monitors its liquidity and cash balances on a monthly basis. The Organization also has available a line of credit. See Note 9.

3. GRANTS RECEIVABLE

Grants receivable consists of the following at December 31:

	2022	2021
The Emergency Food Assistance Program	\$ 79,803	\$ 62,272
Summer Food Service Program	332,220	-
State Grant	50,000	-
Commodity Supplemental Food Program	36,960	22,082
Pennsylvania Agricultural Surplus System	28,493	31,893
	<u>\$ 527,476</u>	<u>\$ 116,247</u>

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

4. PROMISES TO GIVE

Promises to give consist of the following as of June 30:

	2022	2021
Restricted for building expansion	\$ 180,000	\$ 450,000
Total promises to give	\$ 180,000	\$ 450,000

The due dates of promises to give, assuming no change in current terms, consist of the following as of December:

	2022	2021
Receivables in less than one year	\$ 45,000	\$ 234,000
Receivables in one to five years	135,000	216,000
Total	\$ 180,000	\$ 450,000

Amounts due in one to five years have not been discounted by the Organization at December 31, 2022 and 2021.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

A summary of net investment return is as follows:

	2022	2021
Interest and dividends	\$ 40,903	\$ 6,800
Unrealized gain (loss) on investments	(237,131)	100,044
Realized gain (loss) on investments	(72,916)	-
Total net investment return	\$ (269,144)	\$ 106,844

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820, *Fair Value Measurements and Disclosures* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Certificates of Deposit: The carrying amount of certificates of deposit approximate fair value because of the short-term nature of those investments.

Cash equivalents: The carrying amount of cash approximate fair value because of the short-term nature of those investments.

Fixed Income Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Equity securities and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities held by the Organization at year end are traded.

Beneficial Interest in Funds held by the Berks County Community Foundation: Valued at the net asset value of the allocable portion of the common pool investments.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

Assets at fair value as December 31, 2022:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 134,931	\$ -	\$ -	\$ 134,931
Cash equivalents	93,635	-	-	93,635
Fixed income	1,018,268	-	-	1,018,268
Equities	1731,811	-	-	1,731,811
Beneficial interest	-	-	28,367	28,367
	<u>\$ 2,978,645</u>	<u>\$ -</u>	<u>\$ 28,367</u>	<u>\$ 3,007,012</u>

Assets at fair value as December 31, 2021:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 134,464	\$ -	\$ -	\$ 134,464
Cash equivalents	125,638	-	-	125,638
Fixed income	1,180,793	-	-	1,180,793
Equities	1,807,505	-	-	1,807,505
Beneficial interest	-	-	32,653	32,653
	<u>\$ 3,248,400</u>	<u>\$ -</u>	<u>\$ 32,653</u>	<u>\$ 3,281,053</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	2022	2021
Balance as of January 1	\$ 32,653	\$ 29,421
Change in value of beneficial interest	<u>(4,286)</u>	<u>3,232</u>
Balance as of December 31	<u>\$ 28,367</u>	<u>\$ 32,653</u>

6. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated include labor costs, occupancy, and depreciation that are allocated based upon estimates of time and effort. The remaining costs of providing program and supporting services are directly charged.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

7. BENEFICIAL INTEREST IN ASSETS HELD BY BERKS COUNTY COMMUNITY FOUNDATION

The Organization has established the Greater Berks Food Bank Fund (the “Fund”) through an “Organizational Endowment Fund” (the “Agreement”) at the Berks County Community Foundation (the “Foundation”). The Board initially designated \$10,000 for endowment purposes. The Foundation holds this gift as a permanent endowment fund. The Foundation invests and reinvests the assets of the Fund pursuant to its Articles of Incorporation and Bylaws. The Organization prefers that the Fund be invested in a mix of equity and debt securities, money market, cash and cash equivalents, designed to produce a total return intended to maintain the real value of the Fund against the Consumer Price Index while permitting a reasonable annual distribution to the Organization net of fees. All contributions made to the Fund are irrevocable, except as specifically provided in the endowment agreement.

All funds established at the Foundation are subject to the Foundation’s variance power as set forth in its Bylaws. The variance power gives the Foundation the authority to modify donor recommendations or conditions on distributions from a fund for any specified charitable purpose or to any specified charitable organization.

If in the sole discretion of the Foundation’s Board, the original purpose of a fund becomes impossible, incapable of fulfillment, or inconsistent with the charitable needs of the community, the Foundation has the legal authority through its variance power to redirect the fund. If the Organization no longer operates in a manner which qualifies it as a permissible recipient of Foundation distributions, the Foundation shall distribute or accumulate the unallocated amounts as it shall in its discretion, determine.

Annual investment income was reinvested in the Fund in 2022 and 2021. The reinvested earnings may be applied towards the general purposes as determined from time to time by the Organization’s governing body. There were no contributions or distributions from the Fund during the years ended December 31, 2022 and 2021.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

8. NOTE PAYABLE

	<u>2022</u>	<u>2021</u>
On April 23, 2014, the Organization executed a Term Note ("Note") with M&T Bank in the amount of \$2,600,000. Payments of interest only for the first 12 months followed by 60 principal payments of \$10,833 per month, plus interest, amortized over 240 months, with a balloon payment due on the maturity date. The interest rate is variable, equal to 1-Month LIBOR plus 2.10%. There is no prepayment premium and the Note is collateralized by a first-priority lien on the property. At March 2020, the loan payments were put on hold. On July 23, 2020, the loan was extended to July 23, 2025, in the amount of \$297,035.	\$ 259,889	\$ 276,162
On April 16, 2020, the Organization received a loan from M&T Bank as part of the Paycheck Protection Program (PPP) in the amount of \$190,912. The PPP loan was authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020, and is administered by the U.S. Small Business Administration through local lending institutions. The loan is unsecured, require no collateral or guarantee, and is intended to assist the Organization in maintaining payroll levels. The loan bears interest at a rate of 1.00%. Beginning November 20, 2020, monthly payments of principal and interest were scheduled to be due and payable until April 20, 2022, the date the loan matures. This note was forgiven on July 14, 2021 and reported as PPP loan forgiveness on the statement of activities.	-	-
Total note payable	259,889	276,612
Less current portion	<u>(14,932)</u>	<u>(15,747)</u>
Total note payable, net of current portion	<u>\$ 260,415</u>	<u>\$ 260,415</u>
Estimated annual maturities on the note payable is as follows:		
2023		14,932
2024		17,492
2025		<u>227,465</u>
Total		<u>\$ 259,889</u>

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS

Net assets consist of the following as of December 31:

	2022	2021
Net assets without donor restrictions		
Undesignated	\$ 6,757,024	\$ 8,787,803
Designated for investments	2,819,555	3,093,172
Other designated	20,000	20,000
Net assets with donor restrictions		
Building expansion	305,672	65,595
Total net assets	<u>\$ 9,902,251</u>	<u>\$ 11,966,570</u>

10. LINE OF CREDIT

The Organization has an unsecured revolving line of credit with M&T Bank, whereby the Organization may make borrowings up to \$450,000. Interest is charged at a fixed rate of 7.00%. There were borrowings on the line of credit of \$119,016 and zero as of December 31, 2022 and 2021.

11. LEASES

The Organization has operating leases for vehicles and certain equipment. The Organization's leases have remaining lease terms of 1 to 7 years. Total lease costs for the years ending December 31, 2022, and 2021, amount to \$139,472 and \$135,055, respectively. Total lease costs for the year ended December 31, 2022 included \$114,675 of amortization of ROU and \$24,797 of interest on lease obligations.

Other information related to leases was as follows for the year ending December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$ 135,882
Financing cash flows for finance leases	\$ 3,590

Weighted average remaining lease term

Operating leases	2.98 years
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Weighted average discount rate

Operating leases	6.00%
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HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

During the year ended December 31, 2022 certain leases were terminated in the amount of \$152,243. This represents the present value of lease obligations at the date of termination.

Future minimum lease payments under non-cancellable leases as of December 31, 2022 in each of the next five years and thereafter is as follows:

	Operating Leases
2023	\$ 88,215
2024	67,703
2025	34,842
2026	26,247
2027 and thereafter	39,355
Total future minimum lease payments	256,362
Less imputed interest	(28,226)
Net present value of minimum lease obligations	\$ 228,136

12. SIMPLIFIED EMPLOYEE PENSION PLAN

The Organization has a pension plan for those employees who meet the eligibility requirements as set forth in the Plan. Plan contributions are made at the discretion of the Board of Directors. Total pension expense was \$47,787 and \$36,470 for the years ended December 31, 2022 and 2021.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

13. SUMMARY OF GRANTS FUNDING

Government grants, as reported in the statements of activities, consist of the following for the years ended December 31:

	2022	2021
The Emergency Food Assistance Program, monetary	\$ 112,872	\$ 194,133
The Emergency Food Assistance Program, in-kind	957,482	2,502,918
Commodity Supplemental Food Program, monetary	151,689	138,013
Commodity Supplemental Food Program, in-kind	890,677	625,778
The Emergency Food and Shelter Program	250,146	28,146
State Food Purchase Program	928,448	284,740
State Food Purchase Program, CARES, Berks	-	194,657
Pennsylvania Agricultural Surplus System	115,213	72,195
Emergency Food Shelter Program, CARES, Berks	-	125,254
Emergency Food Shelter Program, Schuylkill	41,249	20,009
DCED Grant	50,000	-
The Emergency Food Assistance Program – Build Back Better	371,051	-
The Emergency Food Assistance Program – Disaster Assistance	823,779	-
The Emergency Food Assistance Program – Trade Mitigation In Kind	-	50,220
The Emergency Food Assistance Program – Trade Mitigation Monetary	-	39,077
	<u>\$ 4,692,606</u>	<u>\$ 4,275,140</u>

14. CONTINGENCIES

The operation of the Organization is dependent upon the grants received from federal and state agencies, as well as donations from various organizations and individuals. A significant reduction in the level of this support would have a material effect on the Organization's programs and activities.

The grants received by the Organization are subject to audit by federal, state, and local governments. As of the date of this report, management is unaware of any material adjustments that will be required as a result of such audits.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

15. UNEMPLOYMENT SAVINGS PROGRAM

The Organization is a member in the First Nonprofit Unemployment Savings Program, LLC (the "Program") in which the Organization uses the reimbursable method to finance Pennsylvania Unemployment Compensation coverage. The Organization makes quarterly contributions into the Program for estimated benefit charges, reserves, and administrative costs which are maintained in a custodial account. The Organization's actual unemployment claims are paid from this account, with the provision that any claims in excess of the Organization's deposit and reserve amounts must be repaid with interest over a three-year period maximum.

Stop loss insurance covers claims in excess of the attachment point of \$25,000 to \$75,000, without reimbursement required from the Organization. Claims in excess of \$75,000 must be repaid in the same manner as claims up to the attachment point.

For the years ended December 31, 2022 and 2021, the Organization paid, including fees, \$14,815 and \$15,120 respectively, to the Program which is recorded as an expense in the statements of activities. As of December 31, 2022 and 2021, the Organization's reserve balance in the Program was \$30,090 and \$24,621, respectively. The Organization could receive a refund or be assessed an additional amount based on actual experience. For financial statement purposes, no amounts have been recorded for any refund or additional assessment as the amount of adjustment, if any, cannot be determined until the Program informs the Organization of such adjustments.

16. SUBSEQUENT EVENT

The Organization elected to change its fiscal year end to June 30, beginning with the 6-month period ended June 30, 2023.

SUPPLEMENTARY INFORMATION

HELPING HARVEST FRESH FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	AL Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Food Distribution Cluster				
Passed through the Commonwealth of Pennsylvania				
Department of Agriculture Bureau of Food Distribution				
Commodity Supplemental Food Program	10.565	101257	\$ -	\$ 151,689
The Emergency Food Assistance Program (Administrative Costs)	10.568	ME 44155223	-	112,872
The Emergency Food Assistance Program (Commodities)	10.569	ME 44155223	<u>2,347,906</u>	<u>2,347,906</u>
Total U.S. Department of Agriculture programs in cluster			<u>2,347,906</u>	<u>2,612,467</u>
Total Food Distribution Cluster			<u>2,347,906</u>	<u>2,612,467</u>
Total expenditures of federal awards			<u>\$ 2,347,906</u>	<u>\$ 2,612,467</u>

NOTES:

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Helping Harvest Fresh Food Bank (the Organization) under programs of the federal government for the year ended December 31, 2022. 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 the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 allowable or are limited as to reimbursement.

HELPING HARVEST FRESH FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

3. INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

4. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed.

5. COMMODITY RECEIVED

The Organization received \$2,207,286 USDA commodities (Assistance Listing #10.569) during the year ended December 31, 2022. \$212,346 was distributed from donated inventory at December 31, 2021. Commodities remaining in inventory at December 31, 2022 were \$71,726.

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



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*

Independent Auditor's Report

Board of Directors
Helping Harvest Fresh Food Bank

We have audited, 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, the financial statements of the Helping Harvest Fresh Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 27, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Helping Harvest Fresh Food Bank's internal control over financial reporting (internal control) as a basis for designing 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 Helping Harvest Fresh Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Helping Harvest Fresh Food Bank'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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Helping Harvest Fresh Food Bank'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 determination of financial statements amounts. 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*.

Helping Harvest Fresh Food Bank's Response to Findings

Helping Harvest Fresh Food Bank's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Helping Harvest Fresh Food Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Helping Harvest Fresh Food Bank'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
September 27, 2023

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of Directors
Helping Harvest Fresh Food Bank

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Helping Harvest Fresh Food Bank 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 Helping Harvest Fresh Food Bank major federal programs for the year ended December 31, 2022. Helping Harvest Fresh Food Bank'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, Helping Harvest Fresh Food Bank complied, in all material respects, with the 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, 2022.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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.

MAILING ADDRESS

McKonly & Asbury • 415 Fallowfield Road • Camp Hill, Pennsylvania 17011

We are required to be independent of Helping Harvest Fresh Food Bank 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 Helping Harvest Fresh Food Bank'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 Helping Harvest Fresh Food Bank'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 Helping Harvest Fresh Food Bank'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 GAAS, *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. 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 Helping Harvest Fresh Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Helping Harvest Fresh Food Bank'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 Helping Harvest Fresh Food Bank'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 Helping Harvest Fresh Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
September 27, 2023

HELPING HARVEST FRESH FOOD BANK

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES

YEAR ENDED DECEMBER 31, 2022

No prior year matters reported.

HELPING HARVEST FRESH FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X No

Significant deficiencies identified?

 X Yes None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 Yes X No

Significant deficiencies identified?

 Yes X None reported

Type of auditors' report issued on compliance for major federal programs?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

 Yes X No

Identification of major programs:

AL Number

Name of Federal Program or Cluster

10.565

Commodity Supplemental Food Program

10.568

The Emergency Food Assistance Program

10.569

The Emergency Food Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

 X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiency

Finding 2022- 001: Inventory Cutoff

Criteria: The preparation of the Organization's inventory counts should be completed and reviewed in a timely manner and should reconcile to the general ledger to determine that all transactions have been appropriately recorded.

HELPING HARVEST FRESH FOOD BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

Condition: A shipment was received between the count date and the end of the year, which was not included in inventory value at year end.

Context: The inventory count was performed on December 28, 2022 and receipts subsequent to that date and the end of the year were not adjusted for.

Cause: Lack of oversight and a complete and comprehensive reconciliation of inventory transactions at year end.

Effect: The lack of a complete and comprehensive reconciliation presents the opportunity for misstatements to occur in the year-end inventory balance. The receipt in question was not material and was determined to be isolated to one transaction.

Recommendation: Any deliveries or shipments received after the inventory count and reconciliation and prior to the end of the fiscal year are recorded and included in the general ledger.

Views of the responsible officials and planned corrective actions: Management concurs with the finding related to inventory receipts during the period from the physical inventory count date through year-end. It is the Organization's policy to suspend receipt of inventory as well as shipping orders out during the short period from the physical inventory count date until year-end. However, we did find some limited pickup of donated inventory during this period.

The business office has implemented procedures to reconcile inventory receipts and orders processed from the physical inventory date through year end. In addition, management will strive to have the physical inventory date coincide with year-end date to minimize any post physical inventory count activity.

SECTION III –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.



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