

HELPING HARVEST FRESH FOOD BANK

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

SIX-MONTH PERIOD ENDED JUNE 30, 2023
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY
& ASBURY

TAX
ASSURANCE
CONSULTING
ACCOUNTING

HELPING HARVEST FRESH FOOD BANK

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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 statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the six-month period 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 June 30, 2023, and the changes in its net assets and its cash flows for the six-month period 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 (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 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.

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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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 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
February 27, 2024

HELPING HARVEST FRESH FOOD BANK

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

ASSETS

Current assets	
Cash	\$ 316,127
Restricted cash	83,599
Investments	2,957,857
Accounts receivable	11,358
Grants receivable	622,271
Promises to give, current	106,240
Gift cards and certificates	30,502
Inventory	
Purchased	90,809
Donated	1,087,456
Prepaid expenses and other current assets	<u>107,236</u>
Total current assets	<u>5,413,455</u>
Property and equipment	
Land	757,848
Building and improvements	4,566,020
Office furniture and fixtures	19,715
Warehouse furniture and fixtures	14,354
Office equipment	105,048
Warehouse equipment	293,501
Vehicles	278,677
Construction in progress	<u>41,624</u>
	6,076,787
Less accumulated depreciation	<u>(1,462,518)</u>
Property and equipment, net	<u>4,614,269</u>
Other assets	
Promises to give, long term	135,000
Operating lease right-of-use assets, net of amortization of \$157,714	682,783
Beneficial interest in assets held by the Berks County Community Foundation	<u>29,959</u>
Total other assets	<u>847,742</u>
Total assets	<u>\$ 10,875,466</u>

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

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 86,850
Accrued wages	117,485
Line of credit	139,016
Refundable advances	553,620
Current portion of note payable	17,208
Current portion of operating lease obligations	<u>174,226</u>
Total current liabilities	<u>1,088,405</u>
Long-term liabilities, less current portions	
Note payable	234,329
Operating lease obligations	<u>508,557</u>
Total long-term liabilities, less current portions	<u>742,886</u>
Total liabilities	<u>1,831,291</u>
Net assets	
Without donor restrictions	
Undesignated	6,102,312
Board designated	<u>2,941,863</u>
Total without donor restrictions	<u>9,044,175</u>
Total liabilities and net assets	<u><u>\$ 10,875,466</u></u>

HELPING HARVEST FRESH FOOD BANK

STATEMENT OF ACTIVITIES

SIX-MONTH PERIOD ENDED JUNE 30, 2023

Changes in net assets without donor restrictions	
Revenue and gains	
Public support, monetary	\$ 1,269,526
Public support, in-kind contributions	5,498,275
Government grants, monetary	536,667
Government grants, in-kind contributions	1,414,224
Program services	131,352
Net investment return	117,461
Miscellaneous income	5,754
Net assets released from restrictions	<u>305,672</u>
Total revenue, gains, and other support	<u>9,278,931</u>
Expenses	
Food distribution and community service program	9,445,710
Management and general	217,440
Fundraising	<u>168,185</u>
Total expenses	<u>9,831,335</u>
Change in net assets without donor restrictions	(552,404)
Changes in net assets with donor restrictions	
Net assets released from restrictions	<u>(305,672)</u>
Change in net assets with donor restrictions	<u>(305,672)</u>
Change in net assets	(858,076)
Net assets, beginning of the period	<u>9,902,251</u>
Net assets, end of the period	<u><u>\$ 9,044,175</u></u>

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

HELPING HARVEST FRESH FOOD BANK

STATEMENT OF FUNCTIONAL EXPENSES

SIX-MONTH PERIOD ENDED JUNE 30, 2023

	Food Distribution and Community Service Program	Management and General	Fundraising	<u>Total</u>
Labor costs				
Wages and salaries	\$ 804,674	\$ 80,468	\$ 82,749	\$ 967,891
Payroll taxes and benefits	227,655	39,839	17,092	284,586
Contract labor	<u>33,752</u>	<u>8,437</u>	-	<u>42,189</u>
Total labor costs	<u>1,066,081</u>	<u>128,744</u>	<u>99,841</u>	<u>1,294,666</u>
Other costs				
Food purchases	1,260,310	-	-	1,260,310
Food donations	6,581,946	-	-	6,581,946
Supplies	33,214	3,689	-	36,903
Occupancy	51,195	12,433	9,508	73,136
Telephone	5,900	1,454	1,199	8,553
Feeding America	2,486	-	-	2,486
Commodity Supplemental Food Program	14,118	-	-	14,118
Program development	26,739	-	-	26,739
Equipment rent and maintenance	108,947	9,472	-	118,419
Professional dues	-	10,926	1,214	12,140
Office expense	15,076	3,714	3,059	21,849
Truck expense	188,341	-	-	188,341
Conferences and training	-	1,440	1,131	2,571
Professional fees	3,727	14,909	-	18,636
Fundraising fees	-	-	43,288	43,288
Insurance	4,910	1,227	-	6,137
Depreciation	82,720	20,120	8,945	111,785
Miscellaneous	-	646	-	646
Interest expense	<u>-</u>	<u>8,666</u>	<u>-</u>	<u>8,666</u>
Total other costs	<u>8,379,629</u>	<u>88,696</u>	<u>68,344</u>	<u>8,536,669</u>
Total expenses	<u>\$ 9,445,710</u>	<u>\$ 217,440</u>	<u>\$ 168,185</u>	<u>\$ 9,831,335</u>

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

HELPING HARVEST FRESH FOOD BANK

STATEMENT OF CASH FLOWS

SIX-MONTH PERIOD ENDED JUNE 30, 2023

Cash flows from operating activities	
Changes in net assets	\$ (858,076)
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	111,785
Donated food contributions	(6,912,499)
Distributions of donated food	6,599,232
Amortization of operating lease right-of-use assets	46,352
Net realized and unrealized gain on investments	(95,251)
(Increase) decrease in	
Accounts receivable	19,903
Grants receivable	(94,795)
Promises to give	(61,240)
Gift cards and certificates	14,842
Purchased inventory	266,865
Prepaid expenses	(50,163)
Increase (decrease) in	
Accounts payable	(13,885)
Accrued wages	4,759
Refundable advances	150,216
Operating lease obligation	<u>(46,352)</u>
Net cash used in operating activities	<u>(918,307)</u>
Cash flows from investing activities	
Cash paid for property and equipment	(50,581)
Proceeds from sale of investments	150,623
Interest and dividends reinvested in investments	<u>(36,176)</u>
Net cash provided by (used in) investing activities	<u>63,866</u>
Cash flows from financing activities	
Net borrowings on line of credit	20,000
Payments on note payable	<u>(8,352)</u>
Net cash provided by financing activities	<u>11,648</u>
Net decrease in cash and restricted cash	(842,793)
Cash and restricted cash, beginning of period	<u>1,242,519</u>
Cash and restricted cash, end of period	<u>\$ 399,726</u>
Supplemental disclosure of cash flow information	
Cash paid for interest	<u>\$ 8,666</u>
Operating lease obligations entered into	<u>\$ 408,296</u>

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

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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 weekender backpack program serving students and their families.

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

Beginning with the six-month period ended June 30, 2023, the Organization has changed its fiscal year end to June 30. Previously the Organization operated on a calendar year end basis.

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

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NOTES TO FINANCIAL STATEMENTS

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.

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 statement of financial position. See Note 5.

For purposes of statement of cash flow presentation, cash and restricted cash consist of the following:

	<u>June 30, 2023</u>	<u>January 1, 2023</u>
Cash	\$ 316,127	\$ 1,237,868
Restricted cash – state grant	<u>83,599</u>	<u>4,651</u>
Total cash and restricted cash	<u>\$ 399,726</u>	<u>\$ 1,242,519</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.

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NOTES TO FINANCIAL STATEMENTS

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.

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 in 2023. 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.

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 offsite 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 statement of activities.

Depreciation expense for the six-month period ended June 30, 2023 was \$111,785.

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NOTES TO FINANCIAL STATEMENTS

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.

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 six-month period ended June 30, 2023. 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 six-month period ended June 30, 2023, 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 2020.

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.

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NOTES TO FINANCIAL STATEMENTS

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.

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 six-month period ended June 30, 2023.

Refundable Advance

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 period.

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 3.9 million pounds during the six-month period ended June 30, 2023.

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 six-month period ended June 30, 2023, in-kind food donations have been reflected in the financial statements at their estimated fair value of \$6,912,499. The total value includes USDA commodity donations valued at \$1,414,224 for six-month period ended June 30, 2023.

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NOTES TO FINANCIAL STATEMENTS

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 16,404 for the six-month period ended June 30, 2023.

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. The Organization did not have any finance leases during the six-month period ended June 30, 2023.

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

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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.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through February 27, 2024, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets as of June 30, 2023, 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:

Cash	\$ 316,127
Investments	2,957,857
Accounts receivable	11,358
Grants receivable	622,271
Promises to give - current	106,240
Less board designated net assets	<u>(2,941,863)</u>
Total	<u>\$ 1,071,990</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 10.

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NOTES TO FINANCIAL STATEMENTS

3. GRANTS RECEIVABLE

Grants receivable consists of the following at June 30, 2023:

The Emergency Food Assistance Program	\$	25,316
State Grant		50,000
Commodity Supplemental Food Program		79,085
Pennsylvania Agricultural Surplus System		19,627
Local Food Purchase Assistance Program		448,243
		<u>448,243</u>
	\$	<u>622,271</u>

4. PROMISES TO GIVE

Promises to give consist of the following as of June 30, 2023:

Pledges receivable	\$	61,240
Restricted for building expansion		180,000
		<u>180,000</u>
Total promises to give	\$	<u>241,240</u>

The due dates of promises to give, assuming no change in current terms, consist of the following as of June 30, 2023:

Receivables in less than one year	\$	106,240
Receivables in one to five years		135,000
		<u>135,000</u>
Total	\$	<u>241,240</u>

Amounts due in one to five years have not been discounted by the Organization at June 30, 2023.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

A summary of net investment return is as follows for the six-month period ended June 30, 2023:

Interest and dividends	\$ 23,802
Unrealized gain (loss) on investments	88,005
Realized gain (loss) on investments	<u>5,654</u>
Total investment income	<u>\$ 117,461</u>

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.

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.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

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 June 30, 2023.

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.

Assets at fair value as June 30, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 9	\$ -	\$ -	\$ 9
Cash equivalents	103,051	-	-	103,051
Fixed income	1,032,512	-	-	1,032,512
Equities	1,822,285	-	-	1,822,285
Beneficial interest	-	-	29,959	29,959
	\$ 2,957,857	\$ -	\$ 29,959	\$ 2,987,816

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

	2023
Balance as of January 1	\$ 28,367
Change in value of beneficial interest	1,592
Balance as of June 30	\$ 29,959

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

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.

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 during the six-month period ended June 30, 2023. 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 six-month period ended June 30, 2023.

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

8. NOTE PAYABLE

	<u>2023</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 aggregate principal balance outstanding shall bear interest at a per annum rate of 3.25%. There is no prepayment premium and the Note is collateralized by a first-priority lien on the property. During 2020 the loan was extended to July 23, 2025, in the amount of \$297,035.	<u>\$ 251,537</u>
Total note payable	251,537
Less current portion	<u>(17,208)</u>
Total note payable, net of current portion	<u><u>\$ 234,329</u></u>
Estimated annual maturities on long-term liabilities are as follows:	
2024	\$ 17,208
2025	17,268
2026	<u>217,061</u>
Total	<u><u>\$ 251,537</u></u>

9. NET ASSETS

Net assets consist of the following as of June 30, 2023:

Net assets without donor restrictions	
Undesignated	\$ 6,102,312
Designated for investments	<u>2,941,863</u>
Total net assets	<u><u>\$ 9,044,175</u></u>

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

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 rate of 8.25%. There were borrowings on the line of credit of \$139,016 as of June 30, 2023.

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 six-month period ending June 30, 2023 amount to \$68,224. Total lease costs for the six-month period ended June 30, 2023 included \$46,352 of amortization of ROU and \$21,872 of interest on lease obligations.

Other information related to leases was as follows for the six-month period ended June 30, 2023:

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

Operating cash flows for operating leases	\$ 68,224
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Weighted average remaining lease term

Operating leases	6.12 years
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Weighted average discount rate

Operating leases	7.50%
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Future minimum lease payments under operating leases consist of the following for the five years ending June 30:

	<u>Operating Leases</u>
2024	\$ 174,226
2025	147,528
2026	120,363
2027	120,363
2028	120,319
Thereafter	<u>158,536</u>
Total future minimum lease payments	841,335
Less imputed interest	<u>(158,552)</u>
Net present value of minimum lease obligations	<u>\$ 682,783</u>

HELPING HARVEST FRESH FOOD BANK

NOTES TO FINANCIAL STATEMENTS

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 \$26,352 for the six-month period ended June 30, 2023.

13. SUMMARY OF GRANTS FUNDING

Government grants, as reported in the statements of activities, consist of the following for the six-month period ended June 30, 2023:

The Emergency Food Assistance Program, monetary	\$	25,316
The Emergency Food Assistance Program, in-kind		948,700
Commodity Supplemental Food Program, monetary		79,085
Commodity Supplemental Food Program, in-kind		402,275
State Food Purchase Program		203,127
Pennsylvania Agricultural Surplus System		108,310
Emergency Food Shelter Program, CARES, Berks		109,047
Emergency Food Shelter Program, Schuylkill		11,782
The Emergency Food Assistance Program – Build Back Better, in kind		9,100
The Emergency Food Assistance Program – Trade Mitigation In Kind, in kind		54,149
		<hr/>
	\$	<u>1,950,891</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 six-month period ended June 30, 2023, the Organization paid, including fees, \$2,744 to the Program which is recorded as an expense in the statements of activities. As of June 30, 2023, the Organization's reserve balance in the Program was \$27,504. 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.

**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 Helping Harvest Fresh Food Bank (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the six months then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Helping Harvest Fresh Food Bank's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Report on 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 statement 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*.

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
February 27, 2024



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