

**CENTRAL PENNSYLVANIA FOOD BANK**

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND INFORMATION ON FEDERAL AWARDS

YEARS ENDED JUNE 30, 2021 AND 2020  
AND  
INDEPENDENT AUDITOR'S REPORT

## CENTRAL PENNSYLVANIA FOOD BANK

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Central Pennsylvania Food Bank

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Central Pennsylvania Food Bank (the "Food Bank"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Pennsylvania Food Bank as of June 30, 2021 and 2020, 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.

## Other Matters

### *Other 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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 **REPORTDATE**, on our consideration of the Central Pennsylvania 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 the Central Pennsylvania Food Bank's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Pennsylvania Food Bank's internal control over financial reporting and compliance.

Camp Hill, Pennsylvania

**REPORTDATE**

**CENTRAL PENNSYLVANIA FOOD BANK**

**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2021 AND 2020

**ASSETS**

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 3,916,236	\$ 9,877,569
Short-term investments	6,113,198	107,399
Promises to give	465,348	737,152
Accounts receivable, net	525,288	561,160
Accounts receivable - PASS	13,995	823,516
Grants, storage fees, and reimbursements receivable	1,168,797	1,620,995
Gift cards	423,508	214,791
Donated food and grocery product inventory	7,106,507	6,024,112
Purchased food and grocery product inventory	1,686,511	1,059,673
Prepaid expenses	<u>191,309</u>	<u>145,413</u>
Total current assets	21,610,697	21,171,780
Promises to give	79,590	80,090
Investments	17,097,413	11,605,856
Property and equipment, net	10,236,416	10,188,424
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$ 49,024,116</u></u>	<u><u>\$ 43,046,150</u></u>

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

**LIABILITIES AND NET ASSETS**

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable	\$ 451,653	\$ 721,648
Accrued payroll and taxes	969,082	822,694
County advances and grants	242,374	191,638
Accrued expenses	321,147	971,002
Refundable advances	822,223	249,499
Contributions payable	5,500	5,500
Current portion of capital leases	<u>311,667</u>	<u>301,379</u>
Total current liabilities	3,123,646	3,263,360
Capital lease obligations	<u>776,465</u>	<u>842,107</u>
Total liabilities	<u>3,900,111</u>	<u>4,105,467</u>
Net assets		
Net assets without donor restrictions		
Operating	17,785,115	14,717,327
Food and grocery product inventory	8,793,018	7,083,785
Board designated		
Reserve fund	9,523,238	8,080,738
Funded depreciation	<u>6,678,532</u>	<u>5,886,438</u>
Total net assets without donor restrictions	42,779,903	35,768,288
Net assets with donor restrictions	<u>2,344,102</u>	<u>3,172,395</u>
Total net assets	<u>45,124,005</u>	<u>38,940,683</u>
Total liabilities and net assets	<u><u>\$ 49,024,116</u></u>	<u><u>\$ 43,046,150</u></u>

## CENTRAL PENNSYLVANIA FOOD BANK

### STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Food and grocery product contributions	\$ 125,788,670	\$ -	\$ 125,788,670	\$ 89,459,810	\$ -	\$ 89,459,810
Purchased product sales	6,268,629	-	6,268,629	6,250,582	-	6,250,582
Shared maintenance contributions	1,015,536	-	1,015,536	1,811,395	-	1,811,395
Contributions and gifts	15,456,403	1,895,752	17,352,155	7,543,961	7,719,048	15,263,009
In-kind contributions	2,388,991		2,388,991	717,122		717,122
Promises to give	440,345	55,000	495,345	714,259	120,000	834,259
PASS reimbursements	40,000	-	40,000	216,942	-	216,942
Federal support, Kids' Café program	459,722	-	459,722	827,320	-	827,320
Federal support, Commodity Supplemental Food Program	356,870	-	356,870	359,588	-	359,588
Federal support, Trade Mitigation Program	585,952	-	585,952	1,344,256	-	1,344,256
Supplemental Nutrition Assistance Program	202,051	-	202,051	192,247	-	192,247
Commodity storage	265,739	-	265,739	1,424,000	-	1,424,000
Other	229,831	-	229,831	246,597	-	246,597
Net investment return	2,669,511	340,475	3,009,986	350,364	52,403	402,767
Appropriation of endowment assets for expenditure	40,000	(40,000)	-	50,000	(50,000)	-
Net assets released from restrictions	3,079,520	(3,079,520)	-	6,820,271	(6,820,271)	-
Total support and revenue	159,287,770	(828,293)	158,459,477	118,328,714	1,021,180	119,349,894
Expenses						
Program services						
Food and grocery product distributions	124,716,192	-	124,716,192	88,903,787	-	88,903,787
Purchase product distributions	9,586,715	-	9,586,715	7,207,362	-	7,207,362
Operations	9,542,338	-	9,542,338	6,955,896	-	6,955,896
Community programs	4,442,280	-	4,442,280	3,633,011	-	3,633,011
Management and general	1,784,047	-	1,784,047	1,615,329	-	1,615,329
Development (fundraising)	2,204,583	-	2,204,583	1,662,753	-	1,662,753
Total expenses	152,276,155	-	152,276,155	109,978,138	-	109,978,138
Changes in net assets	\$ 7,011,615	\$ (828,293)	\$ 6,183,322	\$ 8,350,576	\$ 1,021,180	\$ 9,371,756

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

## CENTRAL PENNSYLVANIA FOOD BANK

### STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services					
	Food and Grocery Product Distributions	Operations	Community Programs	Management and General	Development (Fundraising)	Total
Food and grocery product distributions	\$ 124,716,192	\$ -	\$ -	\$ -	\$ -	\$ 124,716,192
Purchased product distributions	9,586,715	-	-	-	-	9,586,715
Salaries	-	3,363,141	1,442,796	1,000,673	881,885	6,688,495
Payroll taxes	-	247,820	111,304	76,092	65,431	500,647
Employee benefits	-	787,933	283,690	187,639	147,057	1,406,319
Staff development	-	9,323	12,074	38,796	4,885	65,078
Building occupancy and utilities	-	2,712,015	277,712	-	2,880	2,992,607
Printing and publications	-	16,761	12,879	16,658	665,323	711,621
Food purchases	-	-	521,522	-	-	521,522
Depreciation	-	987,706	-	29,048	33,853	1,050,607
Transportation	-	690,914	-	31	-	690,945
Professional fees and services	-	84,989	92,679	329,703	130,080	637,451
Office supplies/equipment	-	522,260	12,733	34,918	103,921	673,832
Meetings and events	-	3,420	1,468	742	5,234	10,864
Public relations and awards	-	3,355	26,151	1,815	155,106	186,427
Agency assistance	-	-	1,624,840	-	-	1,624,840
Miscellaneous	-	8,351	2,590	32,011	1,212	44,164
Travel	-	6,194	3,220	612	566	10,592
Dues	-	4,236	16,622	35,309	7,150	63,317
Interest	-	93,920	-	-	-	93,920
	\$ 134,302,907	\$ 9,542,338	\$ 4,442,280	\$ 1,784,047	\$ 2,204,583	\$ 152,276,155

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

# CENTRAL PENNSYLVANIA FOOD BANK

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services					
	Food and Grocery Product Distributions	Operations	Community Programs	Management and General	Development (Fundraising)	Total
Food and grocery product distributions	\$ 88,903,787	\$ -	\$ -	\$ -	\$ -	\$ 88,903,787
Purchased product distributions	7,207,362	-	-	-	-	7,207,362
Salaries	-	2,871,061	1,236,304	884,218	778,244	5,769,827
Payroll taxes	-	224,514	95,958	65,487	57,853	443,812
Employee benefits	-	666,508	266,058	162,815	115,670	1,211,051
Staff development	-	5,403	1,566	7,434	12,616	27,019
Building occupancy and utilities	-	1,030,026	123,298	-	-	1,153,324
Printing and publications	-	23,282	11,810	14,877	390,982	440,951
Food purchases	-	-	983,657	-	-	983,657
Depreciation	-	916,281	-	20,256	25,679	962,216
Transportation	-	508,831	-	87	-	508,918
Professional fees and services	-	123,870	89,826	312,428	53,587	579,711
Office supplies/equipment	-	452,006	37,062	50,108	77,652	616,828
Meetings and events	-	1,402	2,850	2,275	18,622	25,149
Public relations and awards	-	2,953	2,407	160	118,297	123,817
Agency assistance	-	-	740,780	-	-	740,780
Miscellaneous	-	10,718	1,439	33,825	1,340	47,322
Travel	-	23,165	24,408	6,376	6,590	60,539
Dues	-	10,892	15,588	54,983	5,621	87,084
Interest	-	84,984	-	-	-	84,984
	\$ 96,111,149	\$ 6,955,896	\$ 3,633,011	\$ 1,615,329	\$ 1,662,753	\$ 109,978,138

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

**CENTRAL PENNSYLVANIA FOOD BANK**

**STATEMENTS OF CHANGES IN NET ASSETS**

YEARS ENDED JUNE 30, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning	\$ 35,768,288	\$ 3,172,395	\$ 38,940,683
Changes in net assets	7,011,615	(828,293)	6,183,322
Net assets, ending	<u>\$ 42,779,903</u>	<u>\$ 2,344,102</u>	<u>\$ 45,124,005</u>

  

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning	\$ 27,417,712	\$ 2,151,215	\$ 29,568,927
Changes in net assets	8,350,576	1,021,180	9,371,756
Net assets, ending	<u>\$ 35,768,288</u>	<u>\$ 3,172,395</u>	<u>\$ 38,940,683</u>

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

**CENTRAL PENNSYLVANIA FOOD BANK**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets	\$ 6,183,322	\$ 9,371,756
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities		
Depreciation	1,050,607	962,216
Loss on disposal of property and equipment	10,053	1,216
Net realized and unrealized gains on investments	(2,867,655)	(207,470)
(Increase) decrease in assets		
Promises to give	272,304	(168,140)
Accounts receivable, net	35,872	(23,975)
Accounts receivable - PASS	809,521	(823,516)
Grants, storage fees, and reimbursements receivable	452,198	(168,398)
Gift cards	(208,717)	(180,520)
Food and grocery product inventory	(1,709,233)	(895,109)
Prepaid expenses	(45,896)	93,575
Increase (decrease) in liabilities		
Accounts payable	(269,995)	337,743
Accrued payroll and taxes	146,388	208,609
County advances and grants	50,736	(9,089)
Accrued expenses	(649,855)	804,203
Refundable advances	572,724	209,005
Contributions payable	-	(21,609)
	<u>3,832,374</u>	<u>9,490,497</u>
Net cash and cash equivalents provided by operating activities		
Cash flows from investing activities		
Net sales (purchases) of investments	(8,629,701)	258,450
Proceeds from disposition of property and equipment	-	15,500
Purchase of property and equipment	(840,114)	(557,592)
	<u>(9,469,815)</u>	<u>(283,642)</u>
Net cash and cash equivalents used in investing activities		
Cash flows used in financing activities		
Repayment of capital leases	(323,892)	(300,768)
	<u>(323,892)</u>	<u>(300,768)</u>
Net cash and cash equivalents used in financing activities		
Net increase (decrease) in cash and cash equivalents	(5,961,333)	8,906,087
Cash and cash equivalents, beginning	<u>9,877,569</u>	<u>971,482</u>
Cash and cash equivalents, ending	<u>\$ 3,916,236</u>	<u>\$ 9,877,569</u>
Supplementary cash flow information		
Interest paid	<u>\$ 93,920</u>	<u>\$ 84,984</u>
Supplementary schedule of noncash investing and financing activities		
Property and equipment acquisition with various capital leases	<u>\$ 268,538</u>	<u>\$ -</u>

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

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

## 1. NATURE OF OPERATIONS

*Organization*

Central Pennsylvania Food Bank (the “Food Bank”) is a nonprofit Pennsylvania corporation that sources, warehouses, and distributes wholesome donated food for the benefit of individuals and families in need in 27 counties in Central Pennsylvania. The Food Bank operates a primary warehouse in Harrisburg, Pennsylvania and a satellite warehouse in Williamsport, Pennsylvania that distribute food in partnership with over 1,100 nonprofit member agencies that directly serve people in need. The Food Bank and its member agencies rely substantially on volunteer services to carry out their charitable activities.

The Food Bank receives donated food from growers, processors, wholesalers, retail grocers, food drives, and government programs. In recent years, consistent with national trends, increases in demand have outpaced the supply of donated food, resulting in the need for the Food Bank to supplement its distributions with purchased product.

In addition to accepting food donations, the Food Bank solicits monetary donations from individuals, businesses, and other organizations to help fund the costs of carrying out its charitable mission. Individuals in need do not pay any costs for the food provided by the Food Bank.

The Food Bank also advocates for policies that protect individuals and families from hunger. The Food Bank is committed to protecting the funding and structure of the federal nutrition programs by continually urging Congress to support programs such as the Supplemental Nutrition Assistance Program (SNAP), The Emergency Food Assistance Program (TEFAP), and the Commodity Supplemental Food Program (CSFP). Further, the Food Bank works closely with the Pennsylvania General Assembly to advocate for anti-hunger programs at the State level which include the State Food Purchase Program (SFPP).

In addition to advocating for federal and state nutrition programs, the Food Bank also administers several of these community programs including CSFP in 26 counties throughout Pennsylvania and TEFAP in 3 counties. The Food Bank also operates a SNAP Outreach program that provides assistance in applying for benefits and several youth programs aimed at providing nutritious meals and nutrition education to low-income children and families in need. These programs include the Kids Café, Backpack program, and the Summer Food Service Program (SFSP).

*The Bold Goal 2025*

The Food Bank’s “Bold Goal” is: “By 2025, our collaborative network will provide access to enough nutritious food for everyone struggling with hunger in each of the 27 counties we serve, and we will convene and nurture partnerships to make progress toward ending hunger”. The Food Bank established its related Bold Goal Strategic Plan in 2015 and refreshed its Plan in 2018, and the Food Bank continued to meet or exceed all key Plan milestones as of June 30, 2021.

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****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. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

***Financial Statement Presentation***

The Food Bank's financial statement presentation includes the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*, and the provisions of Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires the Food Bank to report information regarding its financial position and activities according to two classes of net assets that are based on 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 may, at its discretion, designate funds for specific purposes.

The Board of Directors has designated, from net assets without donor restrictions, net assets for a board-designated reserve fund. See Note 9 for further details. Amounts have also been designated for funded depreciation.

*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.

***Use of 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 the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For purposes of reporting, the Food Bank considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

**CENTRAL PENNSYLVANIA FOOD BANK****NOTES TO FINANCIAL STATEMENTS*****Investments***

The Food Bank carries investments in certificates of deposit, U.S. Treasury bills, mutual funds and exchange traded funds, and fixed income securities at their fair market value with gains and losses included in the statements of activities. Fair market value of the investments is determined using quoted market prices of a national securities exchange.

The Food Bank's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the statements of financial position could change materially in the near term.

***Promises to Give***

Promises to give are stated at their outstanding balance. Promises to give are recognized when the Food Bank is notified of the promises. The Food Bank 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 is stated at outstanding balances, less an allowance for doubtful accounts. An allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due. The allowance for doubtful accounts totaled \$5,410 as of June 30, 2021 and 2020, respectively.

***Food and Grocery Product Inventory***

Donated food and grocery product inventory are recorded at fair market value. Fair market value for donated inventory is determined using actual inventory weight, in pounds, multiplied by a calculated "per pound" value. The "per pound" value is calculated annually and is the composite wholesale value of a variety of products that is derived from published prices from a national food distributor. Specific valuation procedures are established by Feeding America, the nation's food bank network. The Food Bank's policy includes a detailed analysis of its donated food inventory based upon the categories established by Feeding America and each category's calculated value. USDA food and grocery product inventory is reported at fair market value utilizing the valuation procedures established by Feeding America similar to the method used to value donated inventory. Purchased food and grocery product inventories are stated at the lower of cost (first-in, first-out) or market.

**CENTRAL PENNSYLVANIA FOOD BANK****NOTES TO FINANCIAL STATEMENTS**

The inventory amounts included in the financial statements are many times higher than the amount the Food Bank may ultimately receive when the product is distributed to member agencies. The Food Bank does not “charge” for donated product; instead, member agencies reimburse the Food Bank for a portion of its operating costs. On average, during the fiscal years ended June 30, 2021 and 2020, member agencies reimbursed the Food Bank less than \$0.03 and \$0.04 respectively, per pound for distributed product.

During 2016, the Food Bank was contracted by the Pennsylvania Department of Agriculture (PDA) to operate its State Food Purchase Program in accordance with the Pennsylvania Agricultural Surplus System (PASS) Act. The contract was renewed during the year ended June 30, 2020. Under PASS, \$1,948,516 was provided to PDA to acquire and distribute local food products to the charitable food organizations in existence within the State of Pennsylvania. As of June 30, 2020, the Food Bank purchased and distributed \$1,696,374 of food products. Effective July 1, 2020, the Food Bank no longer administered this program for PDA but continued to participate in it.

During the years ended June 30, 2021 and 2020, the Food Bank recognized \$40,000 and \$122,014 as reimbursement for administrative costs. As of June 30, 2021 and 2020, \$13,995 and \$823,516 is due from PDA for services performed under the PASS program.

***Property and Equipment***

Property and equipment are recorded at cost for all items purchased, and fair market value at date of receipt for contributed property and equipment. Depreciation is provided on the straight-line method over the estimated useful lives. Construction period interest is included as part of the cost of the building. Construction in progress is not depreciated until completion of construction. The Food Bank’s policy is to review all invoices in excess of \$1,000 to determine if they should be capitalized. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities.

***Revenue Recognition******Exchange Transactions***

Revenue is recognized as an exchange transaction when the resource provider is receiving commensurate value from the Food Bank in exchange for the resources provided. This includes purchased product sales, and shared maintenance contributions. Revenue is recognized at the point in time in which the Food Bank has fulfilled its performance obligation concurrent upon distribution and delivery of the product to its member agencies. The Food Bank provides an invoice to its member agencies at the time possession is taken by the agency and payment is typically due in 30 days. If resources are provided in advance of the transfer of commensurate value, it is reflected as deferred revenue in the statements of financial position. In specific cases, returns are accepted, however, the Food Bank has not experienced any significant amounts of such returns. Economic factors affecting the nature, timing, and uncertainty of revenue and cash flows include the overall health of the economy and food availability.

***Contributions***

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

**CENTRAL PENNSYLVANIA FOOD BANK****NOTES TO FINANCIAL STATEMENTS**

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 Food Bank. 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.

*Food and Grocery Product Contributions*

The Food Bank reports food and grocery product donations as unrestricted support when received.

*Government Grants and Contracts*

Revenue from government contracts, which are generally 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 June 30, 2021 and 2020.

*Gifts-in-Kind*

The Food Bank reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated in-kind contributions are recorded at fair value at the time of receipt. These contributions are recognized as both support and expenses in the statements of activities.

During the years ended June 30, 2021 and 2020, the Food Bank received a donation of building space to be used for operations as well as a donation of transportation services in the amounts of \$2,388,991 and \$717,122. These amounts are included in building occupancy and utilities and transportation in the statements of functional expenses.

**CENTRAL PENNSYLVANIA FOOD BANK****NOTES TO FINANCIAL STATEMENTS***Contributed Services*

The Food Bank receives donated services on a continuing basis from a variety of volunteers who help the Food Bank fulfill its mission. The value of these services has not been reported in the financial statements, as such value is not easily susceptible to objective measurement.

*Lease Agreements*

Annual rentals pertaining to leases which merely convey the right to use property are charged to current operations. Lease agreements which are substantially installment purchases of property are recorded as assets in property and equipment and depreciated over their estimated useful lives.

*Income Tax Status*

The Food Bank is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to Section 509(a) of the Internal Revenue Code. In addition, the Food Bank was organized under the Pennsylvania Nonprofit Corporation law and is exempt from state income taxes.

The Food Bank adheres to the provisions of 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 June 30, 2021 and 2020, the Food Bank 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 uncertain tax positions has been included in the financial statements.

The Food Bank’s federal exempt organization income tax returns are no longer subject to examination by the appropriate taxing authorities for years prior to 2018.

*Recently Adopted Accounting Standards*

During 2021, the Food Bank adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement, and related subsequent pronouncements, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The changes became effective for the Food Bank on July 1, 2020 and were applied retrospectively. There was no significant impact on the Food Bank’s financial statements as a result of adopting this standard other than additional disclosures for revenue.

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

***Recently Issued Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The changes associated with this ASU include the requirement for lessees to recognize the underlying assets and liabilities associated with all operating leases with terms greater than 12 months. The changes become effective for the Food Bank on July 1, 2022. Management has not determined the impact of these changes on the Food Bank's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is expected to increase transparency around contributed nonfinancial assets (gifts-in-kind) received by not-for-profit entities by requiring the 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 Food Bank on July 1, 2021. Management has not determined the impact of these changes on the Food Bank's financial statements.

***Reclassifications***

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation of the current year financial statements.

***Subsequent Events***

Management evaluated subsequent events through **REPORTDATE**, the date the financial statements were available to be issued.

**3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets as of June 30, 2021 and 2020, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 3,916,236	\$ 9,877,569
Short-term investments	6,113,198	107,399
Promises to give, current	465,348	737,152
Accounts receivable, net	525,288	561,160
Accounts receivable – PASS	13,995	823,516
Grants, storage fees, and reimbursements receivable	1,168,797	1,620,995
Investments	17,097,413	11,605,856
Less: board designated reserve fund	(9,523,238)	(8,080,738)
Less: net assets with donor restrictions	(2,344,102)	(3,172,395)
Total	<u>\$ 17,432,935</u>	<u>\$ 14,080,514</u>

The Food Bank 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

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of the Food Bank's liquidity management plan, the Food Bank invests cash in excess of daily requirements in short-term investments and money market funds. The Food Bank forecasts its future cash flows and monitors its liquidity and cash balances on a monthly basis.

To help manage unanticipated liquidity needs, the Food Bank has available a line of credit in the amount of \$2,000,000, which it could draw upon as further disclosed in Note 8.

**4. FAIR VALUE MEASUREMENTS**

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 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 Food Bank 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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, 2021 and 2020.

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

*Short-term investments:* Valued at cost, which approximates fair value, due to the short-term nature of these instruments.

*Mutual funds and exchange traded funds (ETFs):* Valued at the daily closing price as reported by the fund. These investments are open-end investments that are registered with the Securities and Exchange Commission. These investments are required to publish their daily net asset value (NAV) and to transact at that price. These investments are deemed to be actively traded.

*Fixed income securities:* Valued on the basis of market valuations primarily furnished by an independent pricing service that employs various evaluation methods. Such market valuations may represent one of the following: (i) the last quoted price on the securities' major trading exchange, (ii) quotes received from dealers or market makers in the relevant securities, or (iii) matrix pricing.

The following table sets forth by level, within the fair value hierarchy, the Food Bank's investments at fair value as of June 30, 2021 and 2020:

Reported at Fair Value	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Short-term investments				
Certificates of deposit	\$ 107,567	\$ -	\$ -	\$ 107,567
U.S. Government and agencies	-	6,005,631	-	6,005,631
Total short-term investments	107,567	6,005,631	-	6,113,198
Long-term investments				
Mutual funds and ETFs				
Small cap	1,095,673	-	-	1,095,673
Large cap	4,948,215	-	-	4,948,215
Fixed income	3,888,208	-	-	3,888,208
International value, blended, and growth funds	3,910,122	-	-	3,910,122
Other funds	181,646	-	-	181,646
Total mutual funds and ETFs	14,023,864	-	-	14,023,864
Fixed income securities				
U.S. Government and agencies	-	3,023,121	-	3,023,121
Corporate bonds, BBB+ to AAA	-	50,428	-	50,428
Total fixed income securities	-	3,073,549	-	3,073,549
Total long-term investments	14,023,864	3,073,549	-	17,097,413
Total investments	\$ 14,131,431	\$ 9,079,180	\$ -	\$ 23,210,611

**CENTRAL PENNSYLVANIA FOOD BANK**

NOTES TO FINANCIAL STATEMENTS

Reported at Fair Value	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Short-term investments				
Certificates of deposit	\$ 107,399	\$ -	\$ -	\$ 107,399
Long-term investments				
Mutual funds and ETFs				
Small cap	820,483	-	-	820,483
Large cap	3,876,619	-	-	3,876,619
Fixed income	3,384,152	-	-	3,384,152
International value, blended, and growth funds	2,985,128	-	-	2,985,128
Other funds	133,167	-	-	133,167
Total mutual funds and ETFs	11,199,549	-	-	11,199,549
Fixed income securities				
U.S. Government and agencies	-	25,526	-	25,526
Corporate bonds, BBB+ to AAA	-	254,924	-	254,924
Municipal Obligations	125,857	-	-	125,857
Total fixed income securities	125,857	280,450	-	406,307
Total long-term investments	11,325,406	280,450	-	11,605,856
Total investments	<u>\$ 11,432,805</u>	<u>\$ 280,450</u>	<u>\$ -</u>	<u>\$ 11,713,255</u>

Net investment return for 2021 and 2020 was comprised of the following:

	2021	2020
Interest and dividends	\$ 205,706	\$ 254,586
Net realized gain (loss) on sale of investments	682,721	(8,214)
Net unrealized gain on investments	2,184,934	215,684
Investment fees	(63,375)	(59,289)
Total	<u>\$ 3,009,986</u>	<u>\$ 402,767</u>

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

## 5. PROMISES TO GIVE

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

	2021	2020
Restricted for Williamsport expansion	\$ 79,590	\$ 82,090
Unconditional promises to give	<u>465,348</u>	<u>735,152</u>
Total promises to give	<u>\$ 544,938</u>	<u>\$ 817,242</u>

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

	2021	2020
Receivables in less than one year	\$ 465,348	\$ 737,152
Receivables in one to five years	<u>79,590</u>	<u>80,090</u>
Total	<u>\$ 544,938</u>	<u>\$ 817,242</u>

Amounts due in one to five years have not been discounted by the Food Bank at June 30, 2021 and 2020.

## 6. PROPERTY AND EQUIPMENT

Major classifications of property and equipment and their respective depreciable lives consist of the following as of June 30:

	2021	2020	Depreciable Lives
Land	\$ 349,322	\$ 349,322	
Building and building improvements	11,449,056	11,134,738	15 – 40 years
Office furniture and equipment	703,147	484,360	2 – 10 years
Warehouse equipment	1,348,398	1,297,605	2 – 10 years
Vehicles	2,994,564	2,802,635	5 – 10 years
Construction in progress	<u>70,461</u>	<u>6,202</u>	
	16,914,948	16,074,862	
Accumulated depreciation	<u>(6,678,532)</u>	<u>(5,886,438)</u>	
	<u>\$10,236,416</u>	<u>\$10,188,424</u>	

The Food Bank leases vehicles and office equipment under the terms of various capital leases disclosed in Note 7 to the financial statements.

**CENTRAL PENNSYLVANIA FOOD BANK**

**NOTES TO FINANCIAL STATEMENTS**

Property and equipment held under capital leases consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 2,017,154	\$ 2,000,484
Office furniture and equipment	<u>136,303</u>	<u>-</u>
	2,153,457	2,000,484
Accumulated depreciation	<u>(1,137,866)</u>	<u>(933,730)</u>
	<u><u>\$ 1,015,591</u></u>	<u><u>\$ 1,066,754</u></u>

Depreciation expense amounted to \$1,050,607 and \$962,216 for the years ended June 30, 2021 and 2020, respectively.

**7. CAPITAL LEASES**

Capital leases consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Capital lease agreements for various vehicles; payable in monthly installments ranging from \$984 to \$2,068, including interest from 1.81% to 11.88%. Agreements mature in 2021 through 2027.	\$ 970,872	\$ 1,143,486
Capital lease for a copier and printing system; payable in monthly installments of \$3,364 including interest at 16.68%. The lease matures in 2025.	<u>117,260</u>	<u>-</u>
	1,088,132	1,143,486
Current portion	<u>(311,667)</u>	<u>(301,379)</u>
	<u><u>\$ 776,465</u></u>	<u><u>\$ 842,107</u></u>

Future minimum lease payments under capital leases consist of the following for the five years ending June 30:

2022	\$ 383,362
2023	365,209
2024	214,939
2025	177,019
2026	89,436
Thereafter	<u>35,452</u>
	1,265,417
Amount representing interest	<u>(177,285)</u>
	<u><u>\$ 1,088,132</u></u>

**CENTRAL PENNSYLVANIA FOOD BANK****NOTES TO FINANCIAL STATEMENTS**

Interest expense on capital leases amounted to \$93,920 and \$84,984 for the years ended June 30, 2021 and 2020, respectively.

**8. BANK LINE OF CREDIT**

The Food Bank has an unsecured working capital line of credit arrangement with M&T Bank at the bank's prime rate (3.25% as of June 30, 2021 and 2020). Under this arrangement, the Food Bank may borrow up to \$2,000,000. Interest is payable monthly, and principal is due upon demand. The outstanding balance on the line of credit is zero at June 30, 2021 and 2020.

**9. ENDOWMENT AND RESERVE FUNDS**

The Food Bank has a Board-Designated Reserve Fund and a Donor-Restricted Endowment Fund for which the income can be used for general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Board of Directors has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Food Bank classifies as assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) enhancements or diminishments of the fund after amounts deemed income under Pennsylvania law.

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

The following schedule represents the changes in reserve fund and endowment net assets for the year ended:

	June 30, 2021		
	Board- Designated Reserve Fund	Donor- Restricted Endowment Fund	Total
Endowment net assets, beginning of year	\$ 8,080,738	\$ 1,391,017	\$ 9,471,755
Investment return			
Investment income	85,253	12,925	98,178
Realized gain	440,683	77,156	517,839
Unrealized gain	1,476,564	250,394	1,726,958
Total investment income	2,002,500	340,475	2,342,975
Appropriation of endowment assets for expenditure	(560,000)	(40,000)	(600,000)
Endowment net assets, end of year	<u>\$ 9,523,238</u>	<u>\$ 1,691,492</u>	<u>\$ 11,214,730</u>

  

	June 30, 2020		
	Board- Designated Reserve Fund	Donor- Restricted Endowment Fund	Total
Endowment net assets, beginning of year	\$ 7,994,534	\$ 1,388,614	\$ 9,383,148
Investment return			
Investment income	133,936	22,151	156,087
Realized loss	(63,872)	(11,509)	(75,381)
Unrealized gain	216,140	41,761	257,901
Total investment income	286,204	52,403	338,607
Appropriation of endowment assets for expenditure	(200,000)	(50,000)	(250,000)
Endowment net assets, end of year	<u>\$ 8,080,738</u>	<u>\$ 1,391,017</u>	<u>\$ 9,471,755</u>

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

***Return Objectives and Risk Parameters***

The Board of Directors established an Investment Committee that has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments. The Board of Directors has subsequently assigned this responsibility to the Finance Committee. The primary asset management objective is to achieve a long-term total return commensurate with prudent risk sufficient to provide a stable rate of inflation-adjusted return while preserving the inflation-adjusted real value of the principal of the fund. The return for this purpose means a return derived from both capital appreciation or earnings and distributions with respect to capital, or both.

***Strategies Employed for Achieving Objectives***

The Finance Committee has established an allocation range of sector and security diversification. The Committee may engage one or more recognized investment managers to advise the Committee on the asset allocation of the fund. The Committee shall periodically review the performance of the investment manager(s) and the asset allocations with the expectation of superior performance over time. The Committee will meet as appropriate to review economic outlook; current investment performance, investment strategy and asset allocation; pending plans for purchase and sale of securities; and the reasons for changes in the portfolio since its last meeting.

***Reserve Fund and Endowment Spending Policies and How the Investment Objectives Relate to the Spending Policies***

The spending rate from the reserve fund and the endowment shall be no less than two percent (2%), nor more than seven percent (7%), of the three-year average of the fiscal year-end market values of the fund assets. The Committee will review the actual spending policies annually. General appropriations of \$600,000 and \$250,000 were paid during the years ended June 30, 2021 and 2020, respectively.

**10. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of June 30:

	2021	2020
Promises to give - time-restricted	\$ 79,590	\$ 80,090
Promises to give - purpose-restricted	55,000	122,544
Contributions and gifts	518,020	1,578,744
Donor-restricted endowment fund	1,691,492	1,391,017
	<u>\$ 2,344,102</u>	<u>\$ 3,172,395</u>

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions were released for the following purposes as of June 30:

	2021	2020
Promises to give	\$ 123,044	\$ 341,488
Contributions and gifts	2,956,476	6,478,783
Appropriation of endowment assets for expenditure	40,000	50,000
	<u>\$ 3,119,520</u>	<u>\$ 6,870,271</u>

## 11. ECONOMIC DEPENDENCY

The Food Bank is a certified member of Feeding America. One of the primary benefits of this membership is the availability of contributions of food from national companies, which are solicited by Feeding America. Should the Food Bank no longer be affiliated with Feeding America, its access to food contributions would be diminished and the effect on operations and the financial statements would be material.

Locally and regionally, the Food Bank is dependent on food donations from a variety of sources. Most of these sources are located in Central Pennsylvania; however, donors do exist in other states. Donors include farmers, food processors, food retailers, wholesalers, individuals, and government agencies. The Food Bank solicits and maintains ongoing relationships with donors and attempts to obtain sufficient and suitable donations to meet the nutritional needs of the hungry. If food donations decrease significantly, the Food Bank's ability to continue current distribution levels would be impaired. Likewise, the corresponding effects on the financial statements would be significant.

The Food Bank receives a portion of its revenues (directly and indirectly) from governmental sources and, accordingly, is subject to governmental legislative process and change. During the years ended June 30, 2021 and 2020, the Food Bank received \$24,598,284 and \$26,432,009 in grant awards under federal programs. The Food Bank also receives substantial revenues from Member Agencies that are funded through Pennsylvania's State Food Purchase Program (SFPP), which is administered by the Pennsylvania Department of Agriculture and contracted through Pennsylvania's 67 counties. Management estimates that between \$4.2 million and \$2.2 million of its revenue during the years ended June 30, 2021 and 2020, was dependent on SFPP funding.

## 12. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The statements of functional expenses present the natural classification detail of expenses by function.

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
Payroll taxes	Percentage of salaries
Employee benefits	Percentage of salaries
Building occupancy and utilities	Direct allocation
Printing and publications	Direct allocation
Depreciation	Square footage and direct allocation
Transportation	Direct allocation
Professional fees and services	Direct allocation
Office supplies/equipment	Direct allocation

### 13. OPERATING LEASES

The Food Bank currently holds an operating lease with the County of Dauphin, Pennsylvania to rent facilities to operate a food pantry. The lease, which commenced on January 1, 2009, is for a period of twenty-five years ending on December 31, 2033.

The lease agreement contains provisions for an annual rent payment which is subject to future rent increases as defined in the lease agreement.

On October 1, 2015, the Food Bank entered into another lease agreement to rent facilities for office personnel. The lease was for a period of three years ending on October 31, 2018. During 2018, the lease period was extended to October 31, 2020. The lease agreement contains provisions for an annual rent payment which is subject to future rent increases as defined in the lease agreement. The lease was not renewed in 2021.

In December 2020, the Food Bank entered into another lease agreement to rent facilities for storing and shipping products. The lease is for a one-year period ending on December 31, 2021. During 2021, the lease period was extended to December 31, 2022. The lease agreement contains provisions for an annual rent payment which is subject to future rent increases as defined in the lease agreement.

In accordance with accounting principles generally accepted in the United States of America, the Food Bank records annual rent expense equal to the total of the payments due over the lease term, divided by the number of years of the lease term. The difference between rental expense recorded on this straight-line basis, and the amount actually paid, is credited or charged to rent payable. As of June 30, 2021 and 2020, this difference amounted to \$60,133 and \$61,099, respectively, and is included in accrued expenses on the statements of financial position.

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

Future minimum rental payments under non-cancelable operating leases having remaining terms in excess of one year consist of the following for the five years ending June 30 and thereafter:

2022	\$ 228,577
2023	45,510
2024	46,191
2025	46,883
2026	47,594
Thereafter	<u>380,389</u>
	<u>\$ 795,144</u>

Total rental expense under operating leases charged to operations amounted to \$264,813 and \$107,155 for the years ended June 30, 2021 and 2020, respectively.

#### 14. RELATED PARTY TRANSACTIONS

The Executive Director of the Food Bank serves as a Board Member of another not-for-profit organization that utilizes office space and personnel of the Food Bank. Additionally, the Executive Director and several staff members are involved with organizations that receive food and contributions from the Food Bank in the ordinary course of its mission. The Food Bank leased office space to the organization at fair market value through August 2020, and the Food Bank provides information technology services for the organization. The Food Bank receives grant funding from the organization for 100% of the cost of two nutrition educators, hired as Food Bank staff. The Food Bank also pays certain operating expenses on behalf of the organization, which are 100% reimbursable to the Food Bank. Amounts due from this organization for rent and services amounted to \$66,383 and \$9,900 during the years ended June 30, 2021, and 2020. There was \$27,109 and \$11,664 of outstanding receivables due to the Food Bank for reimbursable expenses as of June 30, 2021, and 2020.

The Pennsylvania Association of Regional Food Banks dba Hunger-Free Pennsylvania (“Hunger-Free PA”) is the sub distributing agency designated by PDA to act on its behalf in entering into agreements with eligible recipient agencies under which commodities are made available through the Commodity Supplemental Food Program (“CSFP”). Hunger-Free PA has entered into an agreement with the Food Bank to act as the local lead agency for Central Pennsylvania. As local lead agency, the Food Bank administers the CSFP at the local level and receives administrative funds for doing so. The Executive Director of the Food Bank is a volunteer member of the Board of Directors and the Executive Committee of Hunger-Free PA. For the years ended June 30, 2021 and 2020, the Food Bank received \$356,870 and \$359,588 in administrative funds from Hunger-Free PA.

Several Board members are involved with organizations that donate food and make contributions to the Food Bank. The Food Bank’s bylaws establish policy for handling potential conflicts of interest.

## CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

**15. CONCENTRATIONS OF CREDIT AND MARKET RISK**

Financial instruments which subject the Food Bank to concentrations of credit risk consist primarily of cash and cash equivalents and short-term investments (such as certificates of deposit).

The Food Bank typically maintains cash and cash equivalents in local banks, which, at times exceed the amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Food Bank has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not subject to any significant credit risk on its cash accounts. Common stocks, mutual funds, and fixed income funds are uninsured.

**16. RETIREMENT PLAN**

The Food Bank has a 401(k) plan to provide retirement and incidental benefits for its employees. Employees may contribute 0% to 50% of their annual compensation to the plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Food Bank matches 50% of employee pre-tax contributions, up to a maximum of 5% of employee compensation deferral. Matching contributions are 100% vested upon completion of three years of service. In addition, the plan provides for discretionary employer contributions determined by the Board of Directors. Such contributions to the plan are allocated among eligible participants in proportion to their salaries. Retirement plan expenses amounted to \$241,742 and \$218,017 for the years ended June 30, 2021 and 2020, respectively.

**17. VETERANS' TRUST FUND**

In 2021 and 2020, the Food Bank received a grant of \$50,000 awarded by the Pennsylvania Department of Military and Veterans Affairs for the purpose of providing healthy and nutritious food to military families in need through its MilitaryShare program. This amount is included in contributions and gifts in the statements of activities for the years ended June 30, 2021 and 2020.

The funds were utilized by the Food Bank for the following expenses which are included in Community Programs in the statements of functional expenses for the years ended June 30, 2021 and 2020:

	2021	2020
Salaries	\$ 5,000	\$ 5,000
Employee travel	500	500
Employee training	500	500
Building occupancy and utilities	4,000	4,000
Transportation	5,000	5,000
Supplies	35,000	35,000
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

**CENTRAL PENNSYLVANIA FOOD BANK**

**NOTES TO FINANCIAL STATEMENTS**

**18. RISKS AND UNCERTAINTIES**

The COVID-19 pandemic and resulting regulatory and operating restrictions have caused disruption of many businesses, which is resulting in significant economic uncertainties. The extent of the impact of COVID-19 on the Food Bank's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its effect on the Food Bank's donors, employees, and vendors. All of these factors are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact the Food Bank's financial condition or results of operations is unknown.

## **SUPPLEMENTARY INFORMATION**

**CENTRAL PENNSYLVANIA FOOD BANK**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture Passed through the Commonwealth of Pennsylvania Department of Agriculture Bureau of Food Distribution Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	8-06-22-090	\$ -	\$ 163,723
Food Distribution Cluster Passed through the Commonwealth of Pennsylvania Department of Agriculture Bureau of Food Distribution Commodity Supplemental Food Program	10.565	8-06-22-090	-	356,870
The Emergency Food Assistance Program (Administrative Costs)	10.568	8-06-22-090	-	441,557
COVID-19 – The Emergency Food Assistance Program (Administrative Costs)	10.568	8-06-22-090	-	246,411
The Emergency Food Assistance Program (Food Commodities)	10.569	8-06-22-090	14,230,436	14,230,436
COVID-19 - The Emergency Food Assistance Program (Food Commodities)	10.569	8-06-22-090	8,565,562	8,565,562
Total U.S. Department of Agriculture programs in cluster			22,795,998	24,004,559
Total Food Distribution Cluster			22,795,998	24,004,559
Passed through the Pennsylvania Department of Education Child Nutrition Cluster Summer Food Service Program for Children	10.559	300-22-185-5	-	278,847
Total Child Nutrition Cluster			-	278,847
Child and Adult Care Food Program	10.558	300-22-185-5	-	180,875
Passed through the Pennsylvania Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	23-6003113	-	134,003
Total SNAP Cluster			-	134,003
Total expenditures of federal awards			\$ 22,795,998	\$ 24,598,284

## CENTRAL PENNSYLVANIA FOOD BANK

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

**NOTES:****1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Central Pennsylvania Food Bank (the "Food Bank") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Food Bank.

**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.

**3. INDIRECT COST RATE**

The Food Bank 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**

Central Pennsylvania Food Bank received \$24,418,475 of USDA commodities (AL #10.569) during the year ended June 30, 2021. The remaining \$1,622,477 was included in donated food and grocery product inventory at June 30, 2021.

**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*

The Board of Directors  
Central Pennsylvania Food Bank

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Central Pennsylvania Food Bank (the "Food Bank"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated **REPORTDATE**.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Camp Hill, Pennsylvania

REPORTDATE

**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*

The Board of Directors  
Central Pennsylvania Food Bank

**Report on Compliance for Each Major Federal Program**

We have audited the Central Pennsylvania Food Bank's (the "Food Bank") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended June 30, 2021. The 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.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Food Bank's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the Food Bank is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Food Bank's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Camp Hill, Pennsylvania  
**REPORTDATE**

**CENTRAL PENNSYLVANIA FOOD BANK**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2021**

None.

**CENTRAL PENNSYLVANIA FOOD BANK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2021

**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 ☒ No

Significant deficiencies identified?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified?

☐ Yes ☒ 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 ☒ No

Identification of major programs:

AL Number

Name of Federal Program or Cluster

10.565

Commodity Supplemental Food Program

10.568

The Emergency Assistance Food Program

10.569

The Emergency Assistance Food Program

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

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters reported

**SECTION III –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters reported