

**CENTRAL PENNSYLVANIA FOOD BANK**

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND INFORMATION ON FEDERAL AWARDS

YEARS ENDED JUNE 30, 2023 AND 2022  
AND  
INDEPENDENT AUDITOR'S REPORT



**McKONLY & ASBURY**  
CPAs & Business Advisors

# CENTRAL PENNSYLVANIA FOOD BANK

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MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES  
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Central Pennsylvania Food Bank

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Central Pennsylvania Food Bank (the "Food Bank"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Banks'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 the 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 the Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the

United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, on our consideration of the 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 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 Food Bank's internal control over financial reporting and compliance.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
October 6, 2023

**CENTRAL PENNSYLVANIA FOOD BANK**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

**ASSETS**

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 2,814,793	\$ 6,033,971
Short-term investments	3,097,701	4,070,923
Promises to give	251,504	249,989
Accounts receivable, net	1,182,039	580,020
Accounts receivable - PASS	21,378	25,108
Grants, storage fees, and reimbursements receivable	800,935	865,245
Gift cards	757,967	622,890
Donated food and grocery product inventory	5,158,130	4,907,412
Purchased food and grocery product inventory	996,128	1,549,146
Prepaid expenses	396,729	264,657
	<hr/>	<hr/>
Total current assets	15,477,304	19,169,361
Promises to give	79,252	79,452
Investments	13,675,780	12,877,511
Property and equipment, net	9,128,830	8,706,516
Finance lease right-of-use assets, net	695,401	923,654
Operating lease right-of-use assets, net	1,389,001	-
	<hr/>	<hr/>
Total assets	<u>\$ 40,445,568</u>	<u>\$ 41,756,494</u>

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

## LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities		
Accounts payable	\$ 448,847	\$ 302,203
Accrued payroll and taxes	821,465	1,009,401
County advances and grants	116,447	152,725
Accrued expenses	612,549	212,168
Refundable advances	80,726	625,681
Current portion of operating leases	454,823	-
Current portion of finance leases (capital leases in 2022)	250,288	360,751
Total current liabilities	2,785,145	2,662,929
Operating lease obligations	1,099,562	-
Finance lease obligations	495,973	633,374
Total liabilities	4,380,680	3,296,303
Net assets		
Net assets without donor restrictions		
Operating	9,428,840	13,173,239
Food and grocery product inventory	6,154,258	6,454,893
Board designated		
Reserve fund	8,902,594	8,585,064
Funded depreciation	8,361,742	7,504,009
Total net assets without donor restrictions	32,847,434	35,717,205
Net assets with donor restrictions	3,217,454	2,742,986
Total net assets	36,064,888	38,460,191
Total liabilities and net assets	\$ 40,445,568	\$ 41,756,494

# CENTRAL PENNSYLVANIA FOOD BANK

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>						
Food and grocery product contributions	\$ 102,276,650	\$ -	\$ 102,276,650	\$ 90,868,943	\$ -	\$ 90,868,943
Purchased product sales	10,466,495	-	10,466,495	5,331,510	-	5,331,510
Shared maintenance contributions	1,224,413	-	1,224,413	1,026,617	-	1,026,617
Contributions and gifts	10,013,926	2,146,018	12,159,944	11,721,257	2,158,014	13,879,271
Promises to give	1,675,472	199,004	1,874,476	962,662	180,000	1,142,662
Federal support, Kids' Café program	793,638	-	793,638	693,673	-	693,673
Federal support, Commodity Supplemental Food Program	426,019	-	426,019	336,407	-	336,407
Federal support, Trade Mitigation Program	-	-	-	4,578	-	4,578
Supplemental Nutrition Assistance Program	226,090	-	226,090	248,792	-	248,792
Commodity storage	690,930	-	690,930	1,446,511	-	1,446,511
Other	197,376	-	197,376	230,578	-	230,578
Net investment return	1,396,332	132,181	1,528,513	(2,260,997)	(272,708)	(2,533,705)
Appropriation of endowment assets for expenditure	75,000	(75,000)	-	50,000	(50,000)	-
Net assets released from restrictions	1,927,735	(1,927,735)	-	1,616,422	(1,616,422)	-
<b>Total support and revenue</b>	<b>131,390,076</b>	<b>474,468</b>	<b>131,864,544</b>	<b>112,276,953</b>	<b>398,884</b>	<b>112,675,837</b>
<b>Expenses</b>						
Program services						
Food and grocery product distributions	102,025,932	-	102,025,932	93,068,736	-	93,068,736
Purchase product distributions	14,540,541	-	14,540,541	10,252,513	-	10,252,513
Operations	8,420,547	-	8,420,547	7,405,408	-	7,405,408
Community programs	4,543,033	-	4,543,033	4,428,292	-	4,428,292
Management and general	1,947,998	-	1,947,998	1,645,746	-	1,645,746
Development (fundraising)	2,625,023	-	2,625,023	2,538,956	-	2,538,956
<b>Total expenses</b>	<b>134,103,074</b>	<b>-</b>	<b>134,103,074</b>	<b>119,339,651</b>	<b>-</b>	<b>119,339,651</b>
<b>Changes in net assets</b>	<b>\$ (2,712,998)</b>	<b>\$ 474,468</b>	<b>\$ (2,238,530)</b>	<b>\$ (7,062,698)</b>	<b>\$ 398,884</b>	<b>\$ (6,663,814)</b>

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



**CENTRAL PENNSYLVANIA FOOD BANK**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services					Total
	Food and Grocery Product Distributions	Operations	Community Programs	Management and General	Development (Fundraising)	
Food and grocery product distributions	\$ 102,025,932	\$ -	\$ -	\$ -	\$ -	\$ 102,025,932
Purchased product distributions	14,540,541	-	-	-	-	14,540,541
Salaries	-	4,014,028	1,974,237	1,028,150	1,262,521	8,278,936
Payroll taxes	-	322,562	154,493	77,985	93,915	648,955
Employee benefits	-	927,899	351,345	188,349	201,229	1,668,822
Staff development	-	6,880	3,804	124,986	10,668	146,338
Building occupancy and utilities	-	492,021	431,786	330	-	924,137
Printing and publications	-	11,846	15,496	1,287	490,608	519,237
Food purchases	-	-	945,656	-	-	945,656
Depreciation	-	1,052,606	-	27,874	33,949	1,114,429
Transportation	-	935,727	-	-	-	935,727
Professional fees and services	-	141,804	105,702	346,869	187,940	782,315
Office supplies/equipment	-	346,442	16,672	49,027	80,758	492,899
Meetings and events	-	12,652	11,592	6,733	8,696	39,673
Public relations and awards	-	2,872	23,661	250	229,077	255,860
Agency assistance	-	-	461,981	-	-	461,981
Miscellaneous	-	24,714	5,504	17,262	3,358	50,838
Travel	-	36,134	21,451	9,742	16,174	83,501
Dues	-	6,908	19,653	69,154	6,130	101,845
Interest	-	85,452	-	-	-	85,452
	\$ 116,566,473	\$ 8,420,547	\$ 4,543,033	\$ 1,947,998	\$ 2,625,023	\$ 134,103,074

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

**CENTRAL PENNSYLVANIA FOOD BANK**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services					Total
	Food and Grocery Product Distributions	Operations	Community Programs	Management and General	Development (Fundraising)	
Food and grocery product distributions	\$ 93,068,736	\$ -	\$ -	\$ -	\$ -	\$ 93,068,736
Purchased product distributions	10,252,513	-	-	-	-	10,252,513
Salaries	-	3,360,652	1,688,769	801,385	1,031,436	6,882,242
Payroll taxes	-	267,041	130,145	61,782	78,180	537,148
Employee benefits	-	825,382	359,127	191,601	169,164	1,545,274
Staff development	-	5,932	3,558	110,074	18,935	138,499
Building occupancy and utilities	-	416,632	432,481	346	1,080	850,539
Printing and publications	-	8,895	17,447	9,600	648,152	684,094
Food purchases	-	-	747,783	-	-	747,783
Depreciation	-	1,045,087	-	26,874	30,157	1,102,118
Transportation	-	845,403	-	-	-	845,403
Professional fees and services	-	98,425	105,864	305,775	202,006	712,070
Office supplies/equipment	-	402,811	14,048	49,501	101,662	568,022
Meetings and events	-	3,775	4,122	5,293	17,344	30,534
Public relations and awards	-	5,607	54,427	250	224,061	284,345
Agency assistance	-	-	840,418	-	-	840,418
Miscellaneous	-	11,721	4,738	21,192	2,003	39,654
Travel	-	12,686	8,719	3,228	7,534	32,167
Dues	-	6,755	16,646	58,845	7,242	89,488
Interest	-	88,604	-	-	-	88,604
	\$ 103,321,249	\$ 7,405,408	\$ 4,428,292	\$ 1,645,746	\$ 2,538,956	\$ 119,339,651

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, 2023 AND 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning	\$ 35,717,205	\$ 2,742,986	\$ 38,460,191
Adjustment to opening net assets (see Note 2)	(156,773)	-	(156,773)
Changes in net assets	<u>(2,712,998)</u>	<u>474,468</u>	<u>(2,238,530)</u>
Net assets, ending	<u>\$ 32,847,434</u>	<u>\$ 3,217,454</u>	<u>\$ 36,064,888</u>

  

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning	\$ 42,779,903	\$ 2,344,102	\$ 45,124,005
Changes in net assets	<u>(7,062,698)</u>	<u>398,884</u>	<u>(6,663,814)</u>
Net assets, ending	<u>\$ 35,717,205</u>	<u>\$ 2,742,986</u>	<u>\$ 38,460,191</u>

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

# CENTRAL PENNSYLVANIA FOOD BANK

## STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Changes in net assets	\$ (2,238,530)	\$ (6,663,814)
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation	754,187	1,102,118
(Gain) loss on disposal of property and equipment	(9,500)	993
Net realized and unrealized (gains) losses on investments	(1,243,035)	2,757,641
Amortization of right-of-use assets	769,315	-
(Increase) decrease in assets		
Promises to give	(1,315)	215,497
Accounts receivable, net	(602,019)	(54,732)
Accounts receivable - PASS	3,730	(11,113)
Grants, storage fees, and reimbursements receivable	64,310	303,552
Gift cards	(135,077)	(199,382)
Food and grocery product inventory	302,300	2,336,460
Prepaid expenses	(132,072)	(73,348)
Increase (decrease) in liabilities		
Accounts payable	146,644	(149,450)
Accrued payroll and taxes	(187,936)	40,319
County advances and grants	(36,278)	(89,649)
Accrued expenses	400,381	(114,479)
Refundable advances	(544,955)	(196,542)
Operating lease obligations	(400,462)	-
Net cash and cash equivalents used in operating activities	(3,090,312)	(795,929)
Cash flows from investing activities		
Net sales of investments	1,417,988	3,504,536
Purchase of property and equipment	(1,167,001)	(232,395)
Net cash and cash equivalents provided by investing activities	250,987	3,272,141
Cash flows used in financing activities		
Repayment of finance leases	(379,853)	(358,477)
Net cash and cash equivalents used in financing activities	(379,853)	(358,477)
Net increase (decrease) in cash and cash equivalents	(3,219,178)	2,117,735
Cash and cash equivalents, beginning	6,033,971	3,916,236
Cash and cash equivalents, ending	\$ 2,814,793	\$ 6,033,971
Supplementary cash flow information		
Interest paid	\$ 85,452	\$ 88,604

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 twice; once in 2018 and again in 2022. The Food Bank continued to meet or exceed all key Plan milestones as of June 30, 2023.

# 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*. FASB ASC 958 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 8 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, 2023 and 2022, 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

## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

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. 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, 2023 and 2022, member agencies reimbursed the Food Bank less than \$0.03 and \$0.04 respectively, per pound for distributed product.

#### ***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.

Contract assets arising from such exchange transactions are comprised of accounts receivable of \$1,187,449 and \$585,430 as of June 30, 2023 and 2022, respectively.

As of July 1, 2021, contracts assets were \$525,288.

##### *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 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, 2023 and 2022.

### *In-Kind Contributions*

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.

# CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

No in-kind contributions of long lived assets or services were received during the years ended June 30, 2023 and 2022.

### *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.

### *Leases*

The Food Bank leases warehouse space, equipment, and vehicles. 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 statements of financial position. Finance leases are included in finance right-of-use assets and finance lease obligations on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease 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 lease terms may include options to extend or terminate the lease when it is reasonably certain that the Food Bank will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Food Bank has lease agreements with lease and non-lease components, which are generally accounted for separately. The lease and non-lease components of certain leases, such as warehouse space, are accounted for as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance and real estate taxes that are passed on from the lessor, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In evaluating contracts to determine if they qualify as a lease, the Food Bank considered factors such as if the Food Bank has obtained substantially all of the rights to the underlying asset through exclusivity, if the Food Bank 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 Food Bank's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

# CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### ***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, 2023 and 2022, 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 2020.

### ***Recently Adopted Accounting Standards***

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the statement of financial position. The Food Bank adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB ASC 840.

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

As a result of the adoption of the new standard on July 1, 2022, the Food Bank recognized operating lease obligations of \$1,954,847, which represents the present value of the remaining operating lease payments of \$2,127,259, discounted using an average risk-free rate of 3.05%, and ROU assets of \$1,798,074, which represents the operating lease obligations adjusted for accrued rent of \$60,133 and unamortized initial direct costs of \$96,640. The difference between the additional lease assets and lease liabilities was recorded as an adjustment to net assets without donor restrictions as of July 1, 2022.

The standard had a material impact on the Food Bank’s statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact

## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

was the recognition of ROU assets and lease obligations for operating leases, while the accounting for finance leases remained substantially unchanged.

#### ***Subsequent Events***

Management evaluated subsequent events through October 6, 2023, the date the financial statements were available to be issued.

### **3. LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets as of June 30, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,814,793	\$ 6,033,971
Short-term investments	3,097,701	4,070,923
Promises to give, current	251,504	249,989
Accounts receivable, net	1,182,039	580,020
Accounts receivable – PASS	21,378	25,108
Grants, storage fees, and reimbursements receivable	800,935	865,245
Investments	13,675,780	12,877,511
Less: board designated reserve fund	(8,902,594)	(8,585,064)
Less: net assets with donor restrictions	<u>(3,217,454)</u>	<u>(2,742,986)</u>
Total	<u>\$ 9,724,082</u>	<u>\$ 13,374,717</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 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 7.

### **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

## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022.

*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.

**CENTRAL PENNSYLVANIA FOOD BANK**

NOTES TO FINANCIAL STATEMENTS

The following table sets forth by level, within the fair value hierarchy, the Food Bank's investments at fair value as of June 30, 2023 and 2022:

Reported at Fair Value	June 30, 2023			Total
	Level 1	Level 2	Level 3	
Short-term investments				
Certificates of deposit	\$ 111,368	\$ -	\$ -	\$ 111,368
U.S. Government and agencies	-	2,986,333	-	2,986,333
Total short-term investments	111,368	2,986,333	-	3,097,701
Long-term investments				
Mutual funds and ETFs				
Small cap	663,065	-	-	663,065
Large cap	4,864,520	-	-	4,864,520
Fixed income	4,544,285	-	-	4,544,285
International value, blended, and growth funds	2,658,264	-	-	2,658,264
Other funds	920,014	-	-	920,014
Total mutual funds and ETFs	13,650,148	-	-	13,650,148
Fixed income securities				
U.S. Government and agencies	-	25,632	-	25,632
Total long-term investments	13,650,148	25,632	-	13,675,780
Total investments	\$ 13,761,516	\$ 3,011,965	\$ -	\$ 16,773,481

**CENTRAL PENNSYLVANIA FOOD BANK**

NOTES TO FINANCIAL STATEMENTS

Reported at Fair Value	June 30, 2022			Total
	Level 1	Level 2	Level 3	
Short-term investments				
Certificates of deposit	\$ 107,665	\$ -	\$ -	\$ 107,665
U.S. Government and agencies		3,963,258	-	3,963,258
Total short-term investments	107,665	3,963,258	-	4,070,923
Long-term investments				
Mutual funds and ETFs				
Small cap	1,049,948	-	-	1,049,948
Large cap	4,454,507	-	-	4,454,507
Fixed income	4,035,558	-	-	4,035,558
International value, blended, and growth funds	3,141,597	-	-	3,141,597
Other funds	169,681	-	-	169,681
Total mutual funds and ETFs	12,851,291	-	-	12,851,291
Fixed income securities				
U.S. Government and agencies	-	26,220	-	26,220
Total long-term investments	12,851,291	26,220	-	12,877,511
Total investments	<u>\$ 12,958,956</u>	<u>\$ 3,989,478</u>	<u>\$ -</u>	<u>\$ 16,948,434</u>

Net investment return for 2023 and 2022 was comprised of the following:

	2023	2022
Interest and dividends	\$ 368,088	\$ 304,491
Net realized gain on sale of investments	404,550	515,944
Net unrealized gain (loss) on investments	838,485	(3,273,585)
Investment fees	(82,610)	(80,555)
Total	<u>\$ 1,528,513</u>	<u>\$ (2,533,705)</u>

**CENTRAL PENNSYLVANIA FOOD BANK**

NOTES TO FINANCIAL STATEMENTS

**5. PROMISES TO GIVE**

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

	2023	2022
Restricted for Williamsport expansion	\$ 79,252	\$ 79,452
Unconditional promises to give	251,504	249,989
Total promises to give	\$ 330,756	\$ 329,441

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

	2023	2022
Receivables in less than one year	\$ 251,504	\$ 249,989
Receivables in one to five years	79,252	79,452
Total	\$ 330,756	\$ 329,441

Amounts due in one to five years have not been discounted by the Food Bank at June 30, 2023 and 2022.

**6. PROPERTY AND EQUIPMENT**

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

	2023	2022	Depreciable Lives
Land	\$ 349,322	\$ 349,322	
Building and building improvements	11,747,371	11,517,693	15 – 40 years
Office furniture and equipment	746,230	667,748	3 – 10 years
Warehouse equipment	1,341,678	1,417,139	5 – 10 years
Vehicles	1,035,260	941,526	5 – 7 years
Construction in progress	601,127	7,755	
	15,820,988	14,901,183	
Accumulated depreciation	(6,692,158)	(6,194,667)	
	\$ 9,128,830	\$ 8,706,516	

Depreciation expense amounted to \$754,187 and \$745,857 for the years ended June 30, 2023 and 2022, respectively.



## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

#### 7. 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 (8.25% and 4.75% as of June 30, 2023 and 2022). 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, 2023 and 2022.

#### 8. 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.

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

	June 30, 2023		
	Board- Designated Reserve Fund	Donor- Restricted Endowment Fund	Total
Endowment net assets, beginning of year	\$ 8,585,064	\$ 1,368,784	\$ 9,953,848
Investment return			
Investment income	166,270	27,696	193,966
Realized gain (loss)	338,540	(6,481)	332,059
Unrealized gain	362,720	110,966	473,686
Total investment income	867,530	132,181	999,711
Appropriation of endowment assets for expenditure	(550,000)	(75,000)	(625,000)
Endowment net assets, end of year	\$ 8,902,594	\$ 1,425,965	\$ 10,328,559

## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

	June 30, 2022		
	Board- Designated Reserve Fund	Donor- Restricted Endowment Fund	Total
Endowment net assets, beginning of year	\$ 9,523,238	\$ 1,691,492	\$ 11,214,730
Investment return			
Investment income	144,255	25,933	170,188
Realized gain	341,560	82,487	424,047
Unrealized loss	(2,117,387)	(381,128)	(2,498,515)
Total investment income	(1,631,572)	(272,708)	(1,904,280)
Contributions	918,398	-	918,398
Appropriation of endowment assets for expenditure	(225,000)	(50,000)	(275,000)
Endowment net assets, end of year	\$ 8,585,064	\$ 1,368,784	\$ 9,953,848

#### ***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.

# CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

### ***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 \$625,000 and \$275,000 were paid during the years ended June 30, 2023 and 2022, respectively.

### **9. NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Promises to give - time-restricted	\$ 79,252	\$ 79,452
Promises to give - purpose-restricted	249,004	180,000
Feeding America retail agency capacity building	630,038	972,794
Contributions and gifts - other	833,195	141,956
Donor-restricted endowment fund	<u>1,425,965</u>	<u>1,368,784</u>
	<u>\$ 3,217,454</u>	<u>\$ 2,742,986</u>

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

	<u>2023</u>	<u>2022</u>
Promises to give	\$ 130,200	\$ 55,138
Feeding America retail agency capacity building	342,756	27,206
Contributions and gifts - other	1,454,779	1,534,078
Appropriation of endowment assets for expenditure	<u>75,000</u>	<u>50,000</u>
	<u>\$ 2,002,735</u>	<u>\$ 1,666,422</u>

### **10. 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.

# CENTRAL PENNSYLVANIA FOOD BANK

## NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022, the Food Bank received \$10,991,483 and \$20,168,144 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 \$4.1 million and \$4.8 million of its revenue during the years ended June 30, 2023 and 2022, was dependent on SFPP funding.

### 11. 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.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
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

### 12. 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

## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

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.

The Food Bank entered into another lease agreement to rent facilities for storing and shipping products. The lease was for a one-year period ending on December 31, 2021. During 2021, the lease period was extended to December 31, 2022. During 2022, the lease period was extended, again, to December 31, 2025. The lease agreement contains provisions for an annual rent payment which is subject to future rent increases as defined in the lease agreement.

The Food Bank has finance lease agreements for various vehicles and office furniture and equipment; payable in monthly installments ranging from \$984 to \$3,364, including interest from 1.81% to 16.68%. Agreements mature in 2022 through 2027.

As of June 30, 2023, assets recorded under operating leases were \$1,798,074 and accumulated amortization associated with operating leases was \$409,073.

As of June 30, 2023, assets recorded under finance leases were \$2,364,985 and accumulated depreciation associated with finance leases was \$1,669,584. As of June 30, 2022, assets recorded under capital leases were \$2,232,996 and accumulated depreciation associated with capital leases was \$1,309,342.

The components of lease expense were as follows for the year ended June 30, 2023:

Amortization of ROU assets	\$ 360,242
Interest on lease obligations	<u>85,452</u>
Finance lease cost	445,694
Operating lease cost	<u>462,192</u>
Total lease cost	<u>\$ 907,886</u>

The components of lease expense were as follows for the year ended June 30, 2022:

Amortization of leased assets	\$ 356,261
Interest on lease obligations	<u>88,604</u>
Capital lease cost	444,865
Operating lease cost	<u>415,183</u>
Total lease cost	<u>\$ 860,048</u>

Other information related to leases was as follows as of and for the year ended June 30, 2023:

## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

ROU assets obtained in exchange for lease obligations:	
Finance leases	131,989
Operating leases	1,798,074
Weighted average remaining lease term	
Finance leases	3.28 years
Operating leases	4.71 years
Weighted average discount rate	
Finance leases	5.64%
Operating leases	3.05%

Future minimum rental payments under non-cancelable leases consist of the following for the five years ending June 30 and thereafter:

	Finance Leases	Operating Leases
2024	\$ 285,055	\$ 494,756
2025	247,135	513,232
2026	159,552	285,301
2027	89,566	48,315
2028	23,436	49,036
Thereafter	1,953	283,038
Total future minimum lease payments	806,697	1,673,678
Less present value discount	(60,436)	(119,293)
Net present value of minimum lease obligations	\$ 746,261	\$ 1,554,385

### 13. RELATED PARTY TRANSACTIONS

The Executive Director of the Food Bank serves as a Board Member of another not-for-profit organization that provides grant funding to 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 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 services amounted to \$84,002 and \$103,605 during the years ended June 30, 2023, and 2022. In 2023, this organization awarded the Food Bank \$2,585,000 of federal funding for its cold storage expansion. Amounts received from this organization totaled \$450,933 for the year ended June 30, 2023. There was \$362,975 and \$21,484 of outstanding receivables due to the Food Bank for reimbursable expenses as of June 30, 2023 and 2022.

## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022, the Food Bank received \$426,019 and \$336,407 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.

#### **14. 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.

#### **15. 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 \$231,095 and \$262,687 for the years ended June 30, 2023 and 2022, respectively.

#### **16. VETERANS’ TRUST FUND**

In 2023 and 2022, the Food Bank received a grant of \$40,000 and \$50,000, respectively, 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 Military Share program. This amount is included in contributions and gifts in the statements of activities for the years ended June 30, 2023 and 2022.

## CENTRAL PENNSYLVANIA FOOD BANK

### NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Salaries	\$ 5,000	\$ 5,000
Building occupancy and utilities	5,000	5,000
Transportation	5,000	5,000
Food supplies	<u>25,000</u>	<u>35,000</u>
	<u>\$ 40,000</u>	<u>\$ 50,000</u>



**SUPPLEMENTARY INFORMATION**

**CENTRAL PENNSYLVANIA FOOD BANK**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal AL Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Food Distribution Cluster				
Passed through the Commonwealth of Pennsylvania				
Department of Agriculture Bureau of Food Distribution				
Commodity Supplemental Food Program	10.565	8-06-22-090	-	426,019
The Emergency Food Assistance Program (Administrative Costs)	10.568	8-06-22-090	-	231,951
The Emergency Food Assistance Program (Food Commodities)	10.569	8-06-22-090	<u>8,933,835</u>	<u>8,933,835</u>
Total U.S. Department of Agriculture programs in cluster			<u>8,933,835</u>	<u>9,591,805</u>
Total Food Distribution Cluster			<u>8,933,835</u>	<u>9,591,805</u>
Passed through the Pennsylvania Department of Education				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	300-22-185-5	-	290,238
Total Child Nutrition Cluster			-	290,238
Child and Adult Care Food Program	10.558	300-22-185-5	-	503,400
Total Child and Adult Care Food Program			-	503,400
Passed through the Pennsylvania Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	23-6003113	-	155,107
Total SNAP Cluster			-	155,107
U.S. Department of Treasury				
Passed through Feeding Pennsylvania				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A		450,933
Total U.S. Department of Treasury				450,933
Total expenditures of federal awards			<u>\$ 8,933,835</u>	<u>\$ 10,991,483</u>

# CENTRAL PENNSYLVANIA FOOD BANK

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

### 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, 2023. 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 \$8,840,033 of USDA commodities (AL #10.569) during the year ended June 30, 2023. The remaining \$93,802 was donated food and grocery product inventory at June 30, 2022.

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**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 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 Central Pennsylvania Food Bank (the "Food Bank"), which comprise the statement of financial position as of June 30, 2023, 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 October 6, 2023

**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 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.

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
October 6, 2023

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## 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**

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

We have audited Central Pennsylvania Food Bank's (the "Food Bank") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Food Bank's major federal programs for the year ended June 30, 2023. 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.

In our opinion, the Food Bank complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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

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

We are required to be independent of the Food Bank and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Food Bank's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Food Bank's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Food Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Food Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Food Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Food Bank's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on

a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

*McKonly & Asbury, LLP*

Camp Hill, Pennsylvania  
October 6, 2023



**CENTRAL PENNSYLVANIA FOOD BANK**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

None.

**CENTRAL PENNSYLVANIA FOOD BANK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2023**

**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

21.027

Coronavirus State and Local Fiscal Recovery Funds

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



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