

The Food Group
New Hope, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
September 30, 2022 and 2021



CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Food Group
New Hope, Minnesota

Opinion

We have audited the accompanying financial statements of The Food Group (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Food Group as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 our report. We are required to be independent of The Food Group 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 Group's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Group'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 Group'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.

Carpenter Ernst and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
January 25, 2023

THE FOOD GROUP
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Support and Revenue:				
Contributions of Financial Assets	\$ 3,817,724	\$ 925,068	\$ 3,290,791	\$ 733,000
Contribution of Nonfinancial Assets	4,145,380	-	6,755,055	-
United Way	11,702	-	47,987	-
Government Grants	1,406,257	-	2,804,121	-
Sales Revenue	4,617,000	-	4,344,080	-
Special Event Revenue	58,853	-	-	-
Less: Costs of Direct Benefits to Donors	-	-	(7,305)	-
Net Revenues from Special Events	58,853	-	(7,305)	-
Investment Income	(10,974)	-	23,318	-
Miscellaneous	2,558	-	9,629	-
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	95,000	(95,000)	50,000	(50,000)
Satisfaction of Purpose Restrictions	758,000	(758,000)	230,353	(230,353)
Total Support and Revenue	14,901,500	72,068	17,548,029	452,647
Expense:				
Program Services	13,227,998	-	16,149,378	-
Support Services:				
Management and General	978,303	-	596,616	-
Fundraising	777,202	-	816,198	-
Total Support Services	1,755,505	-	1,412,814	-
Total Expense	14,983,503	-	17,562,192	-
Change in Net Assets	(82,003)	72,068	(14,163)	452,647
Net Assets - Beginning of Year	4,471,287	733,000	4,485,450	280,353
Net Assets - End of Year	\$ 4,389,284	\$ 805,068	\$ 4,471,287	\$ 733,000
				\$ 5,204,287
				\$ 18,000,676
				\$ 16,149,378
				\$ 596,616
				\$ 816,198
				\$ 1,412,814
				\$ 17,562,192
				\$ 438,484
				\$ 4,765,803
				\$ 5,204,287

The accompanying Notes to Financial Statements are an integral part of these statements.

THE FOOD GROUP
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022					2021
	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 2,236,116	\$ 41,136	\$ 359,415	\$ 400,551	\$ 2,636,667	\$ 2,286,837
Employee Benefits	287,973	7,132	47,450	54,582	342,555	300,828
Payroll Taxes	161,255	25,081	26,320	51,401	212,656	188,208
Total Personnel Costs	<u>2,685,344</u>	<u>73,349</u>	<u>433,185</u>	<u>506,534</u>	<u>3,191,878</u>	<u>2,775,873</u>
Food Costs	5,099,663	1,709	4,065	5,774	5,105,437	5,824,504
Contributions of Non-Financial Assets - Food	4,433,014	-	-	-	4,433,014	6,793,430
Professional Fees	140,874	310,410	78,196	388,606	529,480	631,664
Occupancy	143,035	305,231	-	305,231	448,266	422,882
Office Expenses	34,865	75,323	203,458	278,781	313,646	274,430
Travel, Transportation and Shipping	254,784	142	316	458	255,242	228,411
Supplies	208,796	-	8,876	8,876	217,672	146,252
Contributions of Non-Financial Assets - Supplies	144,708	-	-	-	144,708	105,255
Miscellaneous	57,061	3,551	41,011	44,562	101,623	130,159
Staff and Volunteer	23,014	29,395	8,095	37,490	60,504	45,005
Depreciation and Amortization	2,840	179,193	-	179,193	182,033	180,827
Total Expense	<u>\$ 13,227,998</u>	<u>\$ 978,303</u>	<u>\$ 777,202</u>	<u>\$ 1,755,505</u>	<u>\$ 14,983,503</u>	<u>\$ 17,562,192</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

THE FOOD GROUP
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Support Services				
	Program Services	Management & General	Fund- raising	Total Support Services	Total All Services
Salaries	\$ 1,784,219	\$ 144,638	\$ 357,980	\$ 502,618	\$ 2,286,837
Employee Benefits	234,710	19,027	47,091	66,118	300,828
Payroll Taxes	146,842	11,904	29,462	41,366	188,208
Total Personnel Costs	2,165,771	175,569	434,533	610,102	2,775,873
Food Costs	5,795,876	11,002	17,626	28,628	5,824,504
Contributions of Non-Financial Assets - Food	6,793,430	-	-	-	6,793,430
Professional Fees	244,530	314,931	72,203	387,134	631,664
Occupancy	345,278	22,332	55,272	77,604	422,882
Office Expenses	84,952	35,822	153,656	189,478	274,430
Travel, Transportation and Shipping	228,314	-	97	97	228,411
Supplies	146,252	-	-	-	146,252
Contributions of Non-Financial Assets - Supplies	105,255	-	-	-	105,255
Miscellaneous	86,245	-	47,414	47,414	133,659
Staff and Volunteer	12,392	25,523	7,090	32,613	45,005
Depreciation and Amortization	141,083	11,437	28,307	39,744	180,827
Total Expense	\$ 16,149,378	\$ 596,616	\$ 816,198	\$ 1,412,814	\$ 17,562,192

The accompanying Notes to Financial Statements are an integral part of this statement.

THE FOOD GROUP
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash	\$ 432,264	\$ 852,834
Investments	16,791	63,811
Accounts Receivable	258,992	175,392
Grants Receivable	1,059,497	330,874
Inventory	998,144	973,271
Prepaid Expense	204,318	204,009
Total Current Assets	<u>2,970,006</u>	<u>2,600,191</u>
Property and Equipment - Net	<u>3,851,255</u>	<u>3,735,901</u>
TOTAL ASSETS	<u><u>\$ 6,821,261</u></u>	<u><u>\$ 6,336,092</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Notes Payable - Current	\$ 156,533	\$ 127,522
Capital Lease - Current	78,954	112,356
Accounts Payable	421,290	168,834
Accrued Personnel Costs	163,457	92,996
Accrued Expenses	8,141	7,554
Deferred Revenue	64,946	89,550
Total Current Liabilities	<u>893,321</u>	<u>598,812</u>
Long-Term Liabilities:		
Capital Lease - Non Current	25,135	114,879
Notes Payable - Non Current	708,453	418,114
Total Liabilities	<u>1,626,909</u>	<u>1,131,805</u>
Net Assets:		
Without Donor Restrictions	4,389,284	4,471,287
With Donor Restrictions	805,068	733,000
Total Net Assets	<u>5,194,352</u>	<u>5,204,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,821,261</u></u>	<u><u>\$ 6,336,092</u></u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

THE FOOD GROUP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

<u>Increase (Decrease) in Cash</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (9,935)	\$ 438,484
Total Adjustments	(252,881)	10,115
Net Cash Provided (Used) by Operating Activities	<u>(262,816)</u>	<u>448,599</u>
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(428,055)	(382,322)
Proceeds from Sale of Property	-	3,500
Sale of Investments	101,174	-
Purchases of Investments	(27,077)	-
Net Cash (Used) by Investing Activities	<u>(353,958)</u>	<u>(378,822)</u>
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	(130,650)	(145,647)
Principal Payments on Capital Lease	(123,146)	(117,351)
Proceeds from Loan	450,000	-
Net Cash Provided (Used) by Financing Activities	<u>196,204</u>	<u>(262,998)</u>
Net Increase(Decrease) in Cash	(420,570)	(193,221)
Cash - Beginning of Year	<u>852,834</u>	<u>1,046,055</u>
Cash - End of Year	<u>\$ 432,264</u>	<u>\$ 852,834</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 19,131</u>	<u>\$ 28,326</u>
Non-Cash Investing Activities		
Addition of Property and Equipment	<u>\$ -</u>	<u>\$ (64,969)</u>
Non-Cash Financing Activities		
Addition of Capital Lease	<u>\$ -</u>	<u>\$ 55,540</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. Summary of Significant Accounting Policies

Organizational Purpose

The Food Group is a local nonprofit organization focused on using nutritious food to strengthen community. The mission of The Food Group is: Fighting Hunger. Nourishing our Community.

For more than 40 years The Food Group has worked to provide good foods to those who need it most in our community. We focus on local food access, equity, and nutrition issues related to food and hunger in more than 32 counties in Minnesota and Wisconsin.

The Food Group works on both ends of the food system from production to distribution. Working towards building a better local food system for all, we focus on breaking down barriers to growing good food locally and breaking down barriers to getting good food to those who need it most. Our programs include:

Food Shelf Support

We partner with 228 food shelves and meal programs to offer distribution of donated food, fresh produce, bulk purchasing of staple items, TEFAP food distribution, nutrition education, capacity building, and culturally specific food and resources. Food shelf support strengthens our community by ensuring everyone has the nutritious food they need to thrive.

Fare For All

We operate a traveling nutritious grocery store, which makes monthly stops at 35 distribution sites across the Twin Cities and greater MN to offer fresh produce and quality meats. We break down barriers for families seeking to stretch their food purchasing power and achieve self-sufficiency by offering discounts up to 40 percent off retail prices. Fare For All strengthens our community by ensuring everyone can eat healthy and affordable food.

Big River Farms

Our newest program offers organic and sustainable agriculture training for farmers who have historically been underrepresented in farm ownership, including immigrants, people of color, and refugees. Farmers learn to provide food for themselves and their communities. We also create market opportunities for the participating farmers, provide educational programming on sustainable agriculture to youth and community members, and host the annual Emerging Farmers Conference. Big River Farms strengthens our community by building a more sustainable and just food system.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued):

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to The Food Group, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

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

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. The Food Group reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Investments

The Food Group carries its investments at fair value.

Accounts Receivable and Doubtful Accounts

The Food Group extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and The Food Group does not charge interest on accounts receivable balances. The Food Group reviews receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as receivables are considered collectable.

Inventory

Inventory consists of canned, frozen and fresh foods and hygiene products used in various programs. Inventory is valued at the average cost, determined on a first-in first-out basis (FIFO).

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued):

Property and Equipment

All major expenditures for property and equipment over \$2,500 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

Revenue and Revenue Recognition

The Food Group recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions other than cash are recorded at their estimated market value.

A portion of The Food Group's revenue is derived from cost-reimbursable government grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when The Food Group has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No amounts have been received in advance under government grants.

Sales are recognized as revenue when the performance obligation of transferring products and providing services are met. Special event income is equal to the fair value of the direct benefit to the donors and the contributions received related to the events.

The following provides information about significant changes in deferred revenue for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Deferred Revenue – Beginning of Year	\$ 89,550	\$ 13,390
Revenue recognized that was included in deferred revenue at the beginning of the year	(89,550)	(13,390)
Increases in deferred revenue due to cash received during the year	<u>64,946</u>	<u>89,550</u>
Deferred Revenue – End of Year	<u>\$ 64,946</u>	<u>\$ 89,550</u>

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued):

Functional Allocation of Expense

Salaries and related expenses are recorded in programs based on time and activity reports. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Tax

The Food Group has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Food group's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Food Group continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, The Food Group annually files a Return of Organization Exempt From Income Tax (Form 990).

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

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

Subsequent Events

The Food Group has evaluated the effect that subsequent events would have on the financial statements through January 25, 2023, which is the date financial statements were available to be issued.

New Accounting Pronouncement

The Food Group has adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as management believes the standards improve the usefulness and understandability of The Food Group's financial reporting. The ASU has been applied retrospectively for the periods ended September 30, 2022 and 2021, as required.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued):

Contributions of Nonfinancial Assets

The Food Group records contributions of nonfinancial assets at fair market value at date of donation. The Food Group's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provide that does not allow the Food Group to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

2. Contingencies and Uncertainties

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While many of the closings have re-opened, there are still uncertainties if there will be future disruptions due to additional outbreaks. Therefore, The Food Group expects this matter may impact its future operating results, but reasonable estimates cannot be made at this time.

3. Significant Concentrations of Credit Risk

The Food Group provides services within Minnesota. Grants and contributions receivable are from local governments or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At September 30, 2022 and 2021, The Food Group held funds at a local financial institution in excess of federally insured limits.

4. Investments

The Food Group held the following investments as of:

	September 30,			
	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 16,791	\$ 16,791	\$ 63,811	\$ 63,811

The Food Group had realized and unrealized gains (losses) of (\$11,376) and \$22,310 and interest income of \$403 and \$1,008 for the years ending September 30, 2022 and 2021, respectively.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

5. Fair Value

The Food Group adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures (ASC 820). In accordance with ASC 820, “fair value” is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair values of the investments at:

September 30, 2022:

	Level 1	Level 2	Level 3	Total
Money Market	\$ 16,791	\$ -	\$ -	\$ 16,791

September 30, 2021:

	Level 1	Level 2	Level 3	Total
Money Market	\$ 63,811	\$ -	\$ -	\$ 63,811

6. Grants Receivable

The outstanding balance of grants receivable at September 30, 2022 is expected to be collected over the following fiscal years:

<u>Due in the Year Ending September 30,</u>	
2023	<u>\$ 1,059,497</u>

7. Line of Credit

The Food Group maintains a \$200,000 line-of-credit with MidWestOne Bank, maturing May 25, 2023. The interest rate at September 30, 2022 was 6.5%. Line-of-credit was not used and had no balance for both years ended September 30, 2022 and 2021. Secured by land and building.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

8. Property and Equipment

The Food Group owned the following as of:

	<u>September 30,</u>		<u>Estimated Useful Lives</u>
	<u>2022</u>	<u>2021</u>	
Land	\$ 1,100,000	\$ 1,100,000	
Buildings and Building Improvements	3,565,381	3,339,498	5-39 years
Furniture and Equipment	1,001,958	859,412	5 years
Capital Lease – Trucks	672,241	672,241	7 years
Capital Lease – Equipment	36,370	36,370	5 years
Capital Lease - Copiers	64,969	64,969	5 years
Vehicles	<u>409,273</u>	<u>427,511</u>	5 years
	6,850,192	6,500,001	
Less Accumulated Depreciation	<u>2,998,937</u>	<u>2,764,100</u>	
	<u>\$ 3,851,255</u>	<u>\$ 3,735,901</u>	

Depreciation expense of \$298,336 and \$297,130 was recorded for the years ended September 30, 2022 and 2021, respectively. For the year ended September 30, 2022 \$96,035 of depreciation is included in Travel, Transportation and Shipping expense, and \$20,268 is included in the Office Expenses due to it being depreciation on capital leases for vehicles and office equipment.

9. Contributions of Nonfinancial Assets

The Food Group records contributions of nonfinancial assets at fair market value at date of donation. Contributions of Nonfinancial Assets include the following as of:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Foods	\$ 4,000,672	\$ 6,649,801
Hygiene and Household Products	107,600	69,096
Professional Services	27,565	20,772
Other Program Supplies	<u>9,543</u>	<u>15,386</u>
	<u>\$ 4,145,380</u>	<u>\$ 6,755,055</u>

Contributions of Nonfinancial Assets were utilized for programming during the years ended September 30, 2022 and 2021, and had no donor restrictions. Values were used based on the current market rates The Food Group would have paid for the items if they were not donated.

The Food Group utilizes and relies upon the services of volunteers to carry out its programs. Services provided by volunteers do not meet the specialized service requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 958-605-25-16, "Accounting for Contributions Received and Contributions Made" and are therefore not reflected in the financial statements.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

10. Capital Leases

The Food Group leases trucks and equipment under a capital lease. The economic substance of the lease is that The Food Group is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in The Food Group's assets and liabilities.

The following is an analysis of the leased assets included in Property and Equipment as of:

	<u>September 30,</u>		Estimated Useful Lives
	<u>2022</u>	<u>2021</u>	
Trucks	\$ 672,241	\$ 672,241	7 years
Equipment	36,370	36,370	5 years
Copiers	64,969	64,969	5 years
Less Accumulated Depreciation	<u>680,519</u>	<u>564,216</u>	
Net Book Value	<u>\$ 93,061</u>	<u>\$ 209,364</u>	

Future Payments required under the lease together with their present value.

Due in the Year Ending September 30,

2023	\$ 78,954
2024	16,918
2025	1,410
2026	<u>1,410</u>
Total Minimum Lease Payments	98,692
Less Amount Representing Interest	<u>12,340</u>
Present Value of Minimum Lease Payments	<u>\$ 86,352</u>

11. Liquidity and Availability

The following represents The Food Group's financial assets as of:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash	\$ 432,264	\$ 852,834
Investments	16,791	63,811
Accounts Receivable	204,318	175,392
Grants Receivable	<u>1,059,497</u>	<u>330,874</u>
Total Financial Assets	1,767,544	1,422,911
Less assets not available to be used within one year:		
Net Assets with Donor Restrictions	805,068	733,000
Net Assets with Restrictions to be met within a year	<u>(805,068)</u>	<u>(733,000)</u>
Total assets not available for general expenditures		
Within one year:	<u>-</u>	<u>-</u>
Financial assets available for general expenditures within one year:	<u>\$ 1,767,544</u>	<u>\$ 1,422,911</u>

As part of The Food Group's liquidity plan, The Food Group has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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12. Notes Payable

The breakdown of notes payable is as follows:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
3.5% mortgage payable to MidWestOne Bank Payable in monthly amounts of \$10,180 including interest with the last payment due October 2025. Secured by land and building.	\$ 356,296	\$ 463,737
3.5% mortgage payable on demand to MidWestOne Bank. If no demand is made, mortgage is payable in monthly amounts of \$1,940 including interest with the last payment due October 2025. Secured by land and building.	68,926	89,711
3.5% mortgage payable to MidWestOne Bank Payable in monthly amounts of \$3,228 including interest with the last payment due July 20, 2037. Secured by land and building.	<u>446,252</u>	<u>-</u>
Less Unamortized Loan Fees Paid	871,474	553,448
Less Portion Due Within One (1) Year	6,488	7,812
Long-term Portion	<u>156,533</u>	<u>127,522</u>
	<u>\$ 708,453</u>	<u>\$ 418,114</u>

Principal payments required are as follows:

<u>Due in the Year Ending September 30,</u>	
2023	\$ 156,533
2024	162,100
2025	167,865
2026	37,823
2027	27,016
2028 and thereafter	<u>320,137</u>
Total	<u>\$ 871,474</u>

13. Pension Plan

The Food Group participates in a section 401(k) retirement plan that covers those employees who meet eligibility requirements. Contributions of \$41,484 and \$9,512 were made in the years ended September 30, 2022 and 2021, respectively.

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14. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of amounts from the following as of:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Time Restrictions:		
Future Operations	\$ 175,000	\$ 95,000
Program Restrictions:		
Childhood Nutrition	238,359	-
Childhood Nutrition	225,000	-
Community Based and Culturally Specific Food Programs	125,000	138,000
Emerging Partners	36,550	-
Equipment Purchase	5,159	-
Local Food Programs	-	500,000
	<u>\$ 805,068</u>	<u>\$ 733,000</u>

15. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Depreciation and Amortization	\$ 298,336	\$ 297,130
Contributed Securities	(27,515)	(47,707)
(Gain) Loss on Disposal of Assets	14,369	(3,500)
PPP Loan Forgiveness	-	(796,300)
Realized Loss (Gain) on Investment	434	(772)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	252,456	33,265
Accrued Personnel Costs	70,461	(72,158)
Accrued Expenses	587	(85)
Funds Held for Other	-	(11,838)
Deferred Revenue	(24,604)	76,160
Decreases (Increases) in Current Assets:		
Accounts Receivable	(444,167)	169,192
Grants Receivable	(368,056)	(72,162)
Prepaid Expense	(309)	(31,613)
Inventory	(24,873)	470,503
Total Adjustments	<u>\$ (252,881)</u>	<u>\$ 10,115</u>