

The Food Group
New Hope, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
September 30, 2023 and 2022



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, 2023 and 2022, 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, 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 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.

Capita Ent and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
January 24, 2024

THE FOOD GROUP
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions of Financial Assets	\$ 3,613,762	\$ 933,702	\$ 4,547,464	\$ 3,817,724	\$ 925,068	\$ 4,742,792
Contribution of Nonfinancial Assets	6,086,032	-	6,086,032	4,145,380	-	4,145,380
United Way	6,402	-	6,402	11,702	-	11,702
Government Grants	3,071,265	-	3,071,265	1,406,257	-	1,406,257
Sales Revenue	4,826,851	-	4,826,851	4,617,000	-	4,617,000
Special Event Revenue	117,848	-	117,848	58,853	-	58,853
Less: Costs of Direct Benefits to Donors	-	-	-	-	-	-
Net Revenues from Special Events	117,848	-	117,848	58,853	-	58,853
Investment Income	132	-	132	(10,974)	-	(10,974)
Miscellaneous	34,713	-	34,713	2,558	-	2,558
Net Assets Released from Restrictions:						
Satisfaction of Time Restrictions	175,155	(175,155)	-	95,000	(95,000)	-
Satisfaction of Purpose Restrictions	1,192,239	(1,192,239)	-	758,000	(758,000)	-
Total Support and Revenue	19,124,399	(433,692)	18,690,707	14,901,500	72,068	14,973,568
Expense:						
Program Services	16,324,623	-	16,324,623	13,227,998	-	13,227,998
Support Services:						
Management and General	821,176	-	821,176	978,303	-	978,303
Fundraising	814,248	-	814,248	777,202	-	777,202
Total Support Services	1,635,424	-	1,635,424	1,755,505	-	1,755,505
Total Expense	17,960,047	-	17,960,047	14,983,503	-	14,983,503
Change in Net Assets	1,164,352	(433,692)	730,660	(82,003)	72,068	(9,935)
Net Assets - Beginning of Year	4,389,284	805,068	5,194,352	4,471,287	733,000	5,204,287
Net Assets - End of Year	\$ 5,553,636	\$ 371,376	\$ 5,925,012	\$ 4,389,284	\$ 805,068	\$ 5,194,352

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, 2023 WITH COMPARATIVE TOTALS FOR 2022

	2023				2022	
	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 2,125,626	\$ 230,218	\$ 398,508	\$ 628,726	\$ 2,754,352	\$ 2,636,667
Employee Benefits	323,137	34,653	60,642	95,295	418,432	342,555
Payroll Taxes	196,439	21,066	36,865	57,931	254,370	212,656
Total Personnel Costs	2,645,202	285,937	496,015	781,952	3,427,154	3,191,878
Food Costs	6,430,702	-	1,277	1,277	6,431,979	5,105,437
Contributions of Non-Financial Assets - Food	5,333,029	-	-	-	5,333,029	4,433,014
Professional Fees	527,082	59,602	98,916	158,518	685,600	529,480
Occupancy	200,038	277,971	-	277,971	478,009	448,266
Contributions of Non-Financial Assets - Supplies	454,579	-	-	-	454,579	144,708
Travel, Transportation and Shipping	299,256	2,363	874	3,237	302,493	255,242
Office Expenses	43,185	59,521	158,345	217,866	261,051	313,646
Supplies	206,594	75	18,290	18,365	224,959	217,672
Miscellaneous	50,042	4,761	36,477	41,238	91,280	101,623
Staff and Volunteer	29,054	27,965	4,054	32,019	61,073	60,504
Depreciation and Amortization	105,860	102,981	-	102,981	208,841	182,033
Total Expense	\$ 16,324,623	\$ 821,176	\$ 814,248	\$ 1,635,424	\$ 17,960,047	\$ 14,983,503

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, 2022

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

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

THE FOOD GROUP
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

<u>ASSETS</u>	2023	2022
Current Assets:		
Cash	\$ 696,722	\$ 432,264
Investments	-	16,791
Accounts Receivable	109,803	258,992
Grants Receivable	648,048	1,059,497
Inventory	1,339,828	998,144
Prepaid Expense	168,038	204,318
Total Current Assets	2,962,439	2,970,006
 Property and Equipment - Net	 4,293,632	 3,851,255
TOTAL ASSETS	\$ 7,256,071	\$ 6,821,261
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Notes Payable - Current	\$ 172,110	\$ 156,533
Finance Lease - Current	16,918	78,954
Accounts Payable	257,839	421,290
Accrued Personnel Costs	162,877	163,457
Accrued Expenses	3,110	8,141
Deferred Revenue	166,555	64,946
Total Current Liabilities	779,409	893,321
 Long-Term Liabilities:		
Finance Lease - Non Current	14,481	25,135
Notes Payable - Non Current	537,169	708,453
Total Liabilities	1,331,059	1,626,909
 Net Assets:		
Without Donor Restrictions	5,553,636	4,389,284
With Donor Restrictions	371,376	805,068
Total Net Assets	5,925,012	5,194,352
TOTAL LIABILITIES AND NET ASSETS	\$ 7,256,071	\$ 6,821,261

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, 2023 AND 2022

<u>Increase (Decrease) in Cash</u>	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 730,660	\$ (9,935)
Total Adjustments	<u>422,322</u>	<u>(252,881)</u>
Net Cash Provided (Used) by Operating Activities	1,152,982	(262,816)
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(718,289)	(428,055)
Sale of Investments	58,162	101,174
Purchases of Investments	<u>-</u>	<u>(27,077)</u>
Net Cash (Used) by Investing Activities	(660,127)	(353,958)
Cash Flows from Financing Activities:		
Principal Payments on Notes Payable	(155,707)	(130,650)
Principal Payments on Finance Lease	(72,690)	(123,146)
Proceeds from Loan	<u>-</u>	<u>450,000</u>
Net Cash Provided (Used) by Financing Activities	(228,397)	196,204
Net Increase (Decrease) in Cash	264,458	(420,570)
Cash - Beginning of Year	<u>432,264</u>	<u>852,834</u>
Cash - End of Year	<u>\$ 696,722</u>	<u>\$ 432,264</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 35,297</u>	<u>\$ 19,131</u>

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

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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>2023</u>	<u>2022</u>
Deferred Revenue – Beginning of Year	\$ 64,946	\$ 89,550
Revenue recognized that was included in deferred revenue at the beginning of the year	(64,946)	(89,550)
Increases in deferred revenue due to cash received during the year	<u>166,555</u>	<u>64,946</u>
Deferred Revenue – End of Year	<u>\$ 166,555</u>	<u>\$ 64,946</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, 2023 AND 2022

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.

Leases

The Food Group determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Food Group does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The Food Group's leases of copiers are considered finance leases.

Subsequent Events

The Food Group has evaluated the effect that subsequent events would have on the financial statements through January 24, 2024, which is the date financial statements were available to be issued.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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.

New Accounting Pronouncement

In 2023, The Food Group adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Food Group elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended September 30, 2023.

2. 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, 2023 and 2022, The Food Group held funds at a local financial institution in excess of federally insured limits.

3. Investments

The Food Group held the following investments as of:

	September 30,			
	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ -	\$ -	\$ 16,791	\$ 16,791

The Food Group had realized and unrealized gains (losses) of \$0 and (\$11,377) and interest income of \$132 and \$403 for the years ending September 30, 2023 and 2022, respectively.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

4. 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, 2023:

	Level 1	Level 2	Level 3	Total
Money Market	\$ -	\$ -	\$ -	\$ -

September 30, 2022:

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

5. Grants Receivable

The outstanding balance of grants receivable at September 30, 2023 is expected to be collected over the following fiscal years:

<u>Due in the Year Ending September 30,</u>	
2024	<u>\$ 648,048</u>

6. Line of Credit

The Food Group maintains a \$200,000 line-of-credit with MidWestOne Bank, maturing May 25, 2024. The interest rate at September 30, 2023 was 8.75%. Line-of-credit was not used and had no balance for both years ended September 30, 2023 and 2022. Secured by land and building.

THE FOOD GROUP
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

7. Property and Equipment

The Food Group owned the following as of:

	<u>September 30,</u>		<u>Estimated Useful Lives</u>
	<u>2023</u>	<u>2022</u>	
Land	\$ 1,100,000	\$ 1,100,000	
Buildings and Building Improvements	3,744,673	3,565,381	5-39 years
Furniture and Equipment	1,202,025	1,038,328	5 years
Trucks	672,241	672,241	7 years
Finance Lease - Copiers	64,969	64,969	5 years
Vehicles	<u>784,583</u>	<u>409,273</u>	5 years
	7,568,481	6,850,192	
Less Accumulated Depreciation	3,235,868	2,998,937	
Less Accumulated Depreciation Finance Lease	<u>38,981</u>	-	
	<u>\$ 4,293,632</u>	<u>\$ 3,851,255</u>	

Depreciation expense of \$275,912 and \$298,336 was recorded for the years ended September 30, 2023 and 2022, respectively. For the year ended September 30, 2023, \$48,017 of depreciation is included in Travel, Transportation and Shipping expense, and \$19,054 is included in the Office Expenses due to it being depreciation on finance leases for vehicles and office equipment.

8. 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>2023</u>	<u>2022</u>
Foods	\$ 5,631,453	\$ 4,000,672
Hygiene and Household Products	446,976	107,600
Professional Services	-	27,565
Other Program Supplies	<u>7,603</u>	<u>9,543</u>
	<u>\$ 6,086,032</u>	<u>\$ 4,145,380</u>

Contributions of Nonfinancial Assets were utilized for programming during the years ended September 30, 2023 and 2022, 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, 2023 AND 2022

9. Lease:

The Food Group has a finance lease for equipment. As disclosed in Note 1, The Food Group adopted FASB ASC 842 for the year ended September 30, 2023. The lease has remaining lease terms of 2.08 years.

As of September 30, 2023, financed property and equipment had a balance of \$25,989 as shown in noncurrent assets of the statement of financial position, as property and equipment; finance lease liability is included in other current liabilities \$16,918 and other long-term liabilities \$14,481. The lease asset and liability were calculated utilizing a discount rate of 10.92%.

Additional information about The Food Group's lease is as follows for the year ended September 30, 2023:

Finance Lease Costs:	
Amortization of lease assets	\$ 12,994
Interest on lease liabilities	<u>4,931</u>
Total finance lease costs	<u>\$ 17,925</u>
Other Information:	
Cash paid for amounts included in measuring operating	
Lease liabilities:	
Operating cash flows from finance leases	\$ 16,918
Finance cash flows from finance leases	\$ 11,987
Lease assets obtained in exchange for lease obligations:	
Finance leases	\$ -
Weighted-average remaining lease term (years)	2.08
Weighted-average discount rate	10.92%

The maturities of finance lease liabilities as of September 30, 2023 were as follows:

Year Ending September 30:	
2024	\$ 16,918
2025	16,918
2026	<u>1,409</u>
Total Lease Payments	35,245
Less: Present Value Discount	<u>(3,846)</u>
Present Value of Lease Liabilities	<u>\$ 31,399</u>

10. Pension Plan

The Food Group participates in a section 401(k) retirement plan that covers those employees who meet eligibility requirements. Contributions of \$44,174 and \$41,484 were made in the years ended September 30, 2023 and 2022, respectively.

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11. Liquidity and Availability

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

	<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash	\$ 696,722	\$ 432,264
Investments	-	16,791
Accounts Receivable	109,803	258,992
Grants Receivable	<u>648,048</u>	<u>1,059,497</u>
Total Financial Assets	1,454,573	1,767,544
Less assets not available to be used within one year:		
Net Assets with Donor Restrictions	371,376	805,068
Net Assets with Restrictions to be met within a year	<u>(371,376)</u>	<u>(805,068)</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>\$ 1,454,573</u>	<u>\$ 1,767,544</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.

12. Notes Payable

The breakdown of notes payable is as follows:

	<u>September 30,</u>	
	<u>2023</u>	<u>2022</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.	\$ 244,990	\$ 356,296
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.	47,387	68,926
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>422,978</u>	<u>446,252</u>
	715,355	871,474
Less Unamortized Loan Fees Paid	6,076	6,488
Less Portion Due Within One (1) Year	<u>172,110</u>	<u>156,533</u>
Long-term Portion	<u>\$ 543,245</u>	<u>\$ 708,453</u>

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12. Notes Payable (Continued)

Principal payments required are as follows:

<u>Due in the Year Ending September 30,</u>	
2024	\$ 172,110
2025	170,982
2026	36,150
2027	27,016
2028	66,709
2029 and thereafter	<u>242,388</u>
Total	<u>\$ 715,355</u>

13. 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>2023</u>	<u>2022</u>
Depreciation and Amortization	\$ 275,912	\$ 298,336
Contributed Securities	(41,371)	(27,515)
(Gain) Loss on Disposal of Assets	-	14,369
Realized Loss (Gain) on Investment	-	434
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(163,451)	252,456
Accrued Personnel Costs	(580)	70,461
Accrued Expenses	(5,031)	587
Deferred Revenue	101,609	(24,604)
Decreases (Increases) in Current Assets:		
Accounts Receivable	149,189	(83,600)
Grants Receivable	411,449	(728,623)
Prepaid Expense	36,280	(309)
Inventory	<u>(341,684)</u>	<u>(24,873)</u>
Total Adjustments	<u>\$ 422,319</u>	<u>\$ (252,881)</u>

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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>2023</u>	<u>2022</u>
Time Restrictions:		
Future Operations	\$ 6,470	\$ 175,000
Program Restrictions:		
Building Capacity	27,069	238,359
Childhood Nutrition	-	225,000
Community Based and Culturally Specific Food Programs	282,692	125,000
Emerging Partners	47,932	36,550
Equipment Purchase	1,413	5,159
Big River Farmers Irrigation	<u>5,800</u>	<u>-</u>
	<u>\$ 371,376</u>	<u>\$ 805,068</u>