

**The Food Group**  
New Hope, Minnesota

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Consolidated Financial Statements  
Auditor's Report  
For the Years Ended  
September 30, 2024 and 2023



**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 consolidated financial statements of The Food Group (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Food Group as of September 30, 2024 and 2023, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Schedule of Revenue, Expense and Change in Net Assets and Consolidating Schedule of Financial Position are 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Capata Ent and Associates, LTD.*  
Certified Public Accountants

Minneapolis, Minnesota  
January 29, 2025

THE FOOD GROUP  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024		2023		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
Support and Revenue:					
Contributions of Financial Assets	\$ 3,673,544	\$ 2,639,975	\$ 3,613,762	\$ 933,702	\$ 4,547,464
Contribution of Nonfinancial Assets	7,188,013	-	6,086,032	-	6,086,032
United Way	5,371	-	6,402	-	6,402
Government Grants	10,733,613	-	3,071,265	-	3,071,265
Sales Revenue	4,386,790	-	4,826,851	-	4,826,851
Conference Revenue	149,317	-	117,848	-	117,848
Investment Income	130,083	-	132	-	132
Miscellaneous Income	104,795	-	34,713	-	34,713
Net Assets Released from Restrictions:					
Satisfaction of Time Restrictions	22,371	(22,371)	175,155	(175,155)	-
Satisfaction of Purpose Restrictions	685,052	(685,052)	1,192,239	(1,192,239)	-
Satisfaction of Capital Restrictions	750,591	(750,591)	-	-	-
Total Support and Revenue	27,829,540	1,181,961	19,124,399	(433,692)	18,690,707
Expense:					
Program Services	25,864,624	-	16,324,623	-	16,324,623
Support Services:					
Management and General	1,134,515	-	821,176	-	821,176
Fundraising	843,754	-	814,248	-	814,248
Total Support Services	1,978,269	-	1,635,424	-	1,635,424
Total Expense	27,842,893	-	17,960,047	-	17,960,047
Change in Net Assets from Operations	(13,353)	1,181,961	1,164,352	(433,692)	730,660
Other Changes in Net Assets:					
Merger Acquisition	2,042,541	-	-	-	-
Change in Net Assets	2,029,188	1,181,961	1,164,352	(433,692)	730,660
Net Assets - Beginning of Year	5,553,636	371,376	4,389,284	805,068	5,194,352
Net Assets - End of Year	\$ 7,582,824	\$ 1,553,337	\$ 5,553,636	\$ 371,376	\$ 5,925,012

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

THE FOOD GROUP

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED SEPTEMBER 30, 2024 WITH COMPARATIVE TOTALS FOR 2023

	2024				2023	
	Support Services					
	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 2,686,800	\$ 345,240	\$ 398,132	\$ 743,372	\$ 3,430,172	\$ 2,754,352
Employee Benefits	424,391	49,928	62,091	112,019	536,410	418,432
Payroll Taxes	229,807	27,625	33,599	61,224	291,031	254,370
Total Personnel Costs	3,340,998	422,793	493,822	916,615	4,257,613	3,427,154
Pass Through Grant Expense	7,939,021	-	-	-	7,939,021	-
Contributions of Non-Financial Assets - Food	7,218,556	-	-	-	7,218,556	5,333,029
Food Costs	5,224,842	6,845	7,632	14,477	5,239,319	6,431,979
Professional Fees	908,768	182,211	136,372	318,583	1,227,351	685,600
Occupancy	224,368	281,032	-	281,032	505,400	478,009
Travel, Transportation and Shipping	444,543	2,134	862	2,996	447,539	302,493
Office Expenses	89,658	80,208	160,710	240,918	330,576	261,051
Miscellaneous	126,512	-	28,270	28,270	154,782	91,280
Supplies	121,613	1,015	7,381	8,396	130,009	224,959
Staff and Volunteer	31,022	30,264	8,705	38,969	69,991	61,073
Contributions of Non-Financial Assets - Supplies	28,756	-	-	-	28,756	454,579
Depreciation and Amortization	165,967	128,013	-	128,013	293,980	208,841
Total Expense	\$ 25,864,624	\$ 1,134,515	\$ 843,754	\$ 1,978,269	\$ 27,842,893	\$ 17,960,047

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

THE FOOD GROUP  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

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

THE FOOD GROUP  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2024 AND 2023

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash	\$ 559,596	\$ 696,722
Investments	1,848,678	-
Accounts Receivable	193,758	283,821
Contributions and Grants Receivable	9,002,265	474,030
Inventory	1,143,425	1,339,828
Prepaid Expense	231,819	168,038
Total Current Assets	12,979,541	2,962,439
Contributions and Grants Receivable	500,000	-
Property and Equipment - Net	4,688,562	4,293,632
Right of Use Asset	1,054,290	-
TOTAL ASSETS	\$ 19,222,393	\$ 7,256,071
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 525,606	\$ 257,839
Accrued Personnel Costs	262,343	162,877
Other Accrued Expenses	39,637	3,110
Grants Payable	7,483,310	-
Refundable Advance	131,410	166,555
Notes Payable - Current	168,059	172,110
Finance Lease - Current	14,748	16,918
Operating Lease Liability - Current	248,683	-
Funds Held for Others	21,571	-
Total Current Liabilities	8,895,367	779,409
Long-Term Liabilities:		
Notes Payable - Non Current	379,908	537,169
Finance Lease - Non Current	3,706	14,481
Operating Lease Liability - Non Current	807,251	-
Total Liabilities	10,086,232	1,331,059
Net Assets:		
Without Donor Restrictions	7,582,824	5,553,636
With Donor Restrictions	1,553,337	371,376
Total Net Assets	9,136,161	5,925,012
TOTAL LIABILITIES AND NET ASSETS	\$ 19,222,393	\$ 7,256,071

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



THE FOOD GROUP  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
<u>Increase (Decrease) in Cash</u>		
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 1,168,608	\$ 730,660
Depreciation and Amortization	305,891	275,912
Donated Stock	(42,911)	(41,371)
Net Change in Operating Lease Liability	247,039	-
Realized (Gain) on Investments	(66,164)	-
Unrealized (Gain) on Investments	(65,330)	-
<b>Increases (Decreases) in Operating Liabilities:</b>		
Accounts Payable	267,767	(163,451)
Accrued Personnel Costs	99,466	(580)
Accrued Expenses	36,527	(5,031)
Grants Payable	7,483,310	-
Funds Held for Others	21,571	-
Refundable Advance	(35,145)	101,609
<b>Decreases (Increases) in Operating Assets:</b>		
Accounts Receivable	90,063	149,189
Contributions and Grants Receivable	(9,028,235)	411,449
Prepaid Expense	(63,781)	36,280
Inventory	196,403	(341,684)
Net Cash Provided by Operating Activities	615,079	1,152,982
<b>Cash Flows from Investing Activities:</b>		
Purchases of Property and Equipment	(747,931)	(718,289)
Cash Transfer From Merger	109,006	-
Sale of Investments	360,063	58,162
Purchases of Investments	(298,709)	-
Net Cash (Used) by Investing Activities	(577,571)	(660,127)
<b>Cash Flows from Financing Activities:</b>		
Principal Payments on Notes Payable	(161,689)	(155,707)
Principal Payments on Finance Lease	(12,945)	(72,690)
Net Cash (Used) by Financing Activities	(174,634)	(228,397)
Net Increase (Decrease) in Cash	(137,126)	264,458
Cash - Beginning of Year	696,722	432,264
Cash - End of Year	\$ 559,596	\$ 696,722
<u>Supplemental Disclosure of Cash Flow Information</u>		
<b>Cash Paid for:</b>		
Interest	\$ 26,014	\$ 35,297

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

THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

1. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of The Food Group also include the accounts of Hunger Solutions Minnesota. Significant inter-company transactions have been eliminated.

Hunger Solutions Minnesota still performs its normal functions, and assists with carrying out the purposes of The Food Group.

Merger

In March of 2024, The Food Group joined forces with Hunger Solutions Minnesota. The Food Group remained a 501c3 nonprofit and Hunger Solutions Minnesota as a subsidiary organization of The Food Group. This deeper level of partnership will expand our capacity to influence the food systems changes that our community partners and members are asking us to champion. Specifically, our hunger relief programs were enhanced through the addition of the MN Food Help Line, Market Bucks program, statewide food shelf data collection and reporting on hunger. Joining forces also established advocacy efforts as a new branch of The Food Group's work to fight hunger and support local farmers. Incorporating these programs and initiatives differentiated our work and broadened The Food Group's focus to statewide impact.

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:

Hunger Relief

Our agency support team proudly equips over 200 food shelf and meal program partners with high-quality, nutritious, and culturally relevant food, along with essential support services. The need for food in the Twin Cities is at an all-time high, and our partners are rising to the challenge. We are witnessing a significant increase in families and individuals facing rising food prices and reduced access to essential resources. In response, we are proactively meeting this demand by significantly increasing the quantity of local foods we provide and enhancing our collaboration with tribal governments throughout the state. Together, we are making a powerful impact in our communities.

THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued):

Affordable Grocery

We are witnessing a remarkable surge in demand for our Fare For All and Twin Cities Mobile Market programs, driven by the effects of inflation on grocery budgets. To address this need, we are confidently expanding our offerings to include premium meats and fresh produce from local farmers. With the introduction of two new propane-powered Twin Cities Mobile Market buses, we are successfully reaching even more neighborhoods with limited food access. This expansion has led to a significant increase in sales, empowering us to effectively meet the rising demand.

Big River Farms

Big River Farms worked closely with our farm teams this year, offering access to land, infrastructure, and business development skills. We also worked closely with federal government grants and community partners to provide additional planning training, hands on technical assistance and expanded market opportunities for our farmers. We work to keep land fees low for all land farmers and have chosen to waive land fees for all Indigenous farmers as a way to acknowledge lands that were stolen from Native Peoples.

Advocacy

We continued to chair the Partners to End Hunger coalition alongside 30 other organizations and companies interested in support anti-hunger policy priorities. Bills were introduced for the following legislative priorities: requiring schools in Minnesota to provide a 15 minute minimum of time for students eating school lunch after receiving their meal (HF3556); move Market Bucks program to Dept. of Health and fund a pilot to expand Market Bucks to traditional grocery retailers; increase the SNAP minimum benefit for seniors 60+ from \$23 to \$50. Hunger Day on the Hill was held in March 2024 with 200 attendees who met with their legislators to discuss issues around food insecurity.

THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

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.

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).

Accounts Receivable and Allowance for Credit Losses

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 credit losses has been provided as receivables are considered collectable.

THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

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.

Promises-To-Give (Contributions and Grants 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.

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 and Hunger Solutions Minnesota both have tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Food Group and Hunger Solutions policies are 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 and Hunger Solutions continue to operate consistent with their original exemption applications and each year take the necessary actions to maintain their exempt status'. They have been classified as organizations that are not private foundations under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with their exempt status, The Food Group and Hunger Solutions Minnesota annually file their 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.

THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued):

New Accounting Pronouncement

In the year ended September 30, 2024, the Food Group adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (CECL) methodology.

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. Refundable Advances of \$131,410 and \$166,555 were recorded as of September 30, 2024 and 2023, respectively.

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 provided 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.

Sales and conference revenue are recognized as revenue when the performance obligation of transferring products and providing services are met.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform to 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 29, 2025, which is the date financial statements were available to be issued.

THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued):

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.

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, 2024 and 2023, The Food Group held funds at a local financial institution in excess of federally insured limits.

3. Contributions and Grants Receivable

The outstanding balance of contributions and grants receivable are expected to be received in the following years:

	September 30,	
	2024	2023
2024	\$ -	\$ 474,030
2025	9,002,265	-
2026	250,000	-
2027	250,000	-
	\$ 9,502,265	\$ 474,030

4. Line of Credit

The Food Group maintains a \$200,000 line-of-credit with MidWestOne Bank, maturing May 25, 2025. The interest rate at September 30, 2024 was 8.25%. Line-of-credit was not used and had no balance for both years ended September 30, 2024 and 2023. Secured by land and building.

5. Pension Plan

The Food Group participates in a section 401(k) retirement plan that covers those employees who meet eligibility requirements. Contributions of \$47,044 and \$44,174 were made in the years ended September 30, 2024 and 2023, respectively.

**THE FOOD GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

6. Investments

The Food Group held the following investments as of September 30, 2024:

	<u>Cost</u>	<u>Market Value</u>
Equities	\$ 1,420,742	\$ 1,639,844
Money Market	<u>196,875</u>	<u>208,834</u>
	<u>\$ 1,617,617</u>	<u>\$ 1,848,678</u>

Investment income was as follows as of September 30, 2024:

Interest and Dividends	\$ 7,854
Realized Gain	66,164
Unrealized Gain	65,330
Investment Fees	<u>(9,265)</u>
Total Investment Income	<u>\$ 130,083</u>

Organization did not hold any investments as of September 30, 2023.

7. Fair Value

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. The Organization 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 value of the investments at September 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,639,844	\$ -	\$ -	\$ 1,639,844
Money Market	<u>208,834</u>	<u>-</u>	<u>-</u>	<u>208,834</u>
	<u>\$ 1,848,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,848,678</u>



THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

8. Property and Equipment

The Food Group owned the following as of:

	<u>September 30,</u>		<u>Estimated Useful Lives</u>
	<u>2024</u>	<u>2023</u>	
Land	\$ 1,100,000	\$ 1,100,000	
Buildings and Building Improvements	4,275,208	3,744,673	5-39 years
Furniture and Equipment	1,369,476	1,202,025	5 years
Trucks	672,241	672,241	7 years
Finance Lease - Copiers	64,969	64,969	5 years
Vehicles	<u>871,732</u>	<u>784,583</u>	5 years
	8,353,626	7,568,481	
Less Accumulated Depreciation	3,613,089	3,235,868	
Less Accumulated Depreciation Finance Lease	<u>51,975</u>	<u>38,981</u>	
	<u>\$ 4,688,562</u>	<u>\$ 4,293,632</u>	

Depreciation expense of \$305,891 and \$275,912 was recorded for the years ended September 30, 2024 and 2023, respectively. For the years ended September 30, 2024 and 2023, \$11,911 and \$67,071, respectively, were included in other expense accounts due to it being depreciation on finance leases for office equipment or vehicles.

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>2024</u>	<u>2023</u>
Foods	\$ 7,159,257	\$ 5,631,453
Hygiene and Household Products	16,738	446,976
Other Program Supplies	<u>12,018</u>	<u>7,603</u>
	<u>\$ 7,188,013</u>	<u>\$ 6,086,032</u>

Contributions of Nonfinancial Assets were utilized for programming during the years ended September 30, 2024 and 2023, 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

10. Notes Payable

The breakdown of notes payable is as follows:

	September 30,	
	2024	2023
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.	\$ 129,674	\$ 244,990
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.	25,086	47,387
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>398,906</u>	<u>422,978</u>
	553,666	715,355
Less Unamortized Loan Fees Paid	5,699	6,076
Less Portion Due Within One (1) Year	<u>168,059</u>	<u>172,110</u>
Long-term Portion	<u>\$ 379,908</u>	<u>\$ 537,169</u>

Principal payments required are as follows:

<u>Due in the Year Ending September 30,</u>	
2025	\$ 168,059
2026	37,981
2027	27,016
2028	27,977
2029	28,973
2030 and thereafter	<u>263,660</u>
Total	<u>\$ 553,666</u>

11. Leases

The Food Group has operating leases for office space, vehicles, and a copier. The Food Group also has a finance lease for a copier. The right-of-use (ROU) assets represent the The Food Group's right to use underlying assets for the lease term, and the lease liabilities represent the The Food Group's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Food Group has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

11. Leases (Continued)

The Food Group holds numerous noncancellable leases for trucks used for operations and are included in the summary of operating Right of Use Asset and Liability.

The Food Group holds a noncancellable lease for a copier effective June 2021 that was originally leased by Hunger Solutions Minnesota. The copier lease expires May 2026.

The Food Group holds a noncancellable lease for office space effective July of 2023 that was originally lease by Hunger Solutions Minnesota. The office lease expires June 2026.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of:

	<u>September 30,</u>	
	<u>2024</u>	<u>2023</u>
Operating Leases:		
Operating Lease Right of Use Asset	<u>\$ 1,054,290</u>	<u>\$ -</u>
Operating Lease Liabilities - Current	\$ 248,683	\$ -
Operating Lease Liabilities - Noncurrent	<u>807,251</u>	<u>-</u>
Total Operating Lease Liabilities	<u>\$ 1,055,934</u>	<u>\$ -</u>

Effective November 2020, The Food Group entered into a noncancellable finance lease for a Marco copier that expires November 2025.

As of September 30, 2024, financed property and equipment had a balance of \$12,995 as shown in noncurrent assets of the statement of financial position, as property and equipment; finance lease liability is included in other current liabilities \$14,748 and other long-term liabilities \$3,706.

The following summarizes the weighted average remaining lease term and discount rate as of:

	<u>September 30,</u>	
	<u>2024</u>	<u>2023</u>
Weighted Average Remaining Lease Term:		
Operating Leases	5.65 years	0 years
Finance Leases	1.08 years	2.08 years
Weighted Average Discount Rate:		
Operating Leases	3.90%	0%
Finance Leases	10.92%	10.92%

THE FOOD GROUP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024 AND 2023

11. Leases (Continued)

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended:

	<u>September 30,</u>	
	<u>2024</u>	<u>2023</u>
Operating lease expense included in occupancy	\$ 189,655	\$ -
Financing lease expense included in occupancy	16,918	16,918

The following summarizes cash flow information related to leases for the year ended:

	<u>September 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of Lease liabilities:		
Operating cash flows from operating leases	\$ 188,860	\$ -
Financing cash flows from finance leases	13,296	11,987

Maturities of lease liabilities as of September 30, 2024:

	<u>Operating</u>	<u>Finance</u>
2025	\$ 248,683	\$ 16,918
2026	228,396	3,706
2027	164,928	-
2028	164,928	-
2029	164,928	-
2023 and Beyond	<u>206,160</u>	<u>-</u>
Total Lease Payment	1,178,023	20,624
Less: Interest	<u>(122,090)</u>	<u>(2,170)</u>
Present Value of Lease Liabilities	<u>\$ 1,055,934</u>	<u>\$ 18,454</u>

**THE FOOD GROUP**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2024 AND 2023**

12. Net Assets With Donor Restrictions

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

	<u>September 30,</u>	
	<u>2024</u>	<u>2023</u>
Time Restrictions:		
Future Operations	\$ 1,214,216	\$ 6,470
Program Restrictions:		
Building Capacity	-	27,069
Childhood Nutrition	225,000	-
Community Based and Culturally Specific Food Programs	-	282,692
Emerging Farmers Conference	42,955	47,932
Hunger Free Schools	61,619	-
Indigenous Foods	6,016	-
Equipment Purchase	-	1,413
Big River Farmers Irrigation	<u>3,531</u>	<u>5,800</u>
	<u>\$ 1,553,337</u>	<u>\$ 371,376</u>

13. Liquidity and Availability

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

	<u>September 30,</u>	
	<u>2024</u>	<u>2023</u>
Cash	\$ 559,596	\$ 696,722
Investments	1,848,678	-
Accounts Receivable	864,850	109,803
Contributions and Grants Receivable	<u>8,831,173</u>	<u>648,048</u>
Total Financial Assets	12,104,297	1,454,573
Less assets not available to be used within one year:		
Net Assets with Donor Restrictions	1,553,337	371,376
Net Assets with Restrictions to be met within a year	<u>(1,053,337)</u>	<u>(371,376)</u>
Total assets not available for general expenditures		
Within one year:	<u>500,000</u>	<u>-</u>
Financial assets available for general expenditures within one year:	<u>\$11,604,297</u>	<u>\$ 1,454,573</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.

**ADDITIONAL INFORMATION**

THE FOOD GROUP  
CONSOLIDATING SCHEDULE OF REVENUE, EXPENSE AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2024

	FG	HS	Elimination Entries	Total
<b>Support and Revenue:</b>				
Contributions of Financial Assets	\$ 6,313,519	\$ -	\$ -	\$ 6,313,519
Contribution of Nonfinancial Assets	7,188,013	-	-	7,188,013
United Way	5,371	-	-	5,371
Government Grants	2,638,507	8,095,106	-	10,733,613
Sales Revenue	4,386,790	-	-	4,386,790
Conference Revenue	149,317	-	-	149,317
Investment Income	130,083	-	-	130,083
Miscellaneous Income	104,795	-	-	104,795
<b>Total Support and Revenue</b>	<b>20,916,395</b>	<b>8,095,106</b>	<b>-</b>	<b>29,011,501</b>
<b>Expense:</b>				
Salaries	3,390,565	39,607	-	3,430,172
Employee Benefits	527,107	9,304	-	536,411
Payroll Taxes	285,227	5,804	-	291,031
<b>Total Personnel Costs</b>	<b>4,202,899</b>	<b>54,715</b>	<b>-</b>	<b>4,257,614</b>
Pass Through Grant Expense	-	7,939,021	-	7,939,021
Contributions of Non-Financial Assets - Food	7,218,556	-	-	7,218,556
Food Costs	5,239,999	(680)	-	5,239,319
Professional Fees	1,154,725	72,626	-	1,227,351
Occupancy	495,242	10,157	-	505,399
Travel, Transportation and Shipping	407,720	39,819	-	447,539
Office Expenses	313,266	17,310	-	330,576
Miscellaneous	152,986	1,796	-	154,782
Supplies	130,009	-	-	130,009
Staff and Volunteer	69,991	-	-	69,991
Contributions of Non-Financial Assets - Suppl	28,756	-	-	28,756
Depreciation and Amortization	293,980	-	-	293,980
<b>Total Expense</b>	<b>19,708,129</b>	<b>8,134,764</b>	<b>-</b>	<b>27,842,893</b>
<b>Change in Net Assets</b>	<b>1,208,266</b>	<b>(39,658)</b>	<b>-</b>	<b>1,168,608</b>
<b>Net Assets - Beginning of Year</b>	<b>7,783,184</b>	<b>184,369</b>	<b>-</b>	<b>7,967,553</b>
<b>Net Assets - End of Year</b>	<b>\$ 8,991,450</b>	<b>\$ 144,711</b>	<b>\$ -</b>	<b>\$ 9,136,161</b>

See Independent Auditor's Report.

THE FOOD GROUP  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
SEPTEMBER 30, 2024

<u>ASSETS</u>	<u>FG</u>	<u>HS</u>	<u>Eliminations</u>	<u>Total</u>
<b>Current Assets:</b>				
Cash	\$ 479,350	\$ 80,246	\$ -	\$ 559,596
Investments:	1,848,678	-	-	1,848,678
Accounts Receivable	193,758	-	-	193,758
Contributions and Grants Receivable	1,171,092	7,831,173	-	9,002,265
Inventory	1,143,425	-	-	1,143,425
Prepaid Expense	225,776	6,043	-	231,819
Due To/From Other Funds	125,881	(125,881)	-	-
<b>Total Current Assets</b>	<b>5,187,960</b>	<b>7,791,581</b>	<b>-</b>	<b>12,979,541</b>
<b>Noncurrent Assets:</b>				
Contributions and Grants Receivable	500,000	-	-	500,000
Property and Equipment - Net	4,688,562	-	-	4,688,562
Right of Use Asset	1,054,290	-	-	1,054,290
<b>TOTAL ASSETS</b>	<b>\$ 11,430,812</b>	<b>\$ 7,791,581</b>	<b>\$ -</b>	<b>\$ 19,222,393</b>
 <u>LIABILITIES AND NET ASSETS</u>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 362,046	\$ 163,560	\$ -	\$ 525,606
Accrued Personnel Costs	262,343	-	-	262,343
Other Accrued Expenses	39,637	7,483,310	-	7,522,947
Refundable Advance	131,410	-	-	131,410
Notes Payable - Current	168,059	-	-	168,059
Finance Lease - Current	14,748	-	-	14,748
Operating Lease Liability - Current	248,683	-	-	248,683
Funds Held for Others	21,571	-	-	21,571
<b>Total Current Liabilities</b>	<b>1,248,497</b>	<b>7,646,870</b>	<b>-</b>	<b>8,895,367</b>
<b>Long-term Liabilities:</b>				
Notes Payable - Non Current	379,908	-	-	379,908
Finance Lease - Non Current	3,706	-	-	3,706
Operating Lease Liability - Non Current	807,251	-	-	807,251
<b>Total Liabilities</b>	<b>2,439,362</b>	<b>7,646,870</b>	<b>-</b>	<b>10,086,232</b>
<b>Net Assets:</b>				
Without Donor Restrictions	7,438,113	144,711	-	7,582,824
With Donor Restrictions	1,553,337	-	-	1,553,337
<b>Total Net Assets</b>	<b>8,991,450</b>	<b>144,711</b>	<b>-</b>	<b>9,136,161</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 11,430,812</b>	<b>\$ 7,791,581</b>	<b>\$ -</b>	<b>\$ 19,222,393</b>

See Independent Auditor's Report.