

The Food Group
New Hope, Minnesota

Consolidated Financial Statements
Auditor's Report
For the Years Ended
September 30, 2025 and 2024



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, 2025 and 2024, 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, 2025 and 2024, 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.

Capeta EA and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
March 9, 2026

THE FOOD GROUP
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions of Financial Assets	\$ 4,246,896	\$ 1,178,504	\$ 5,425,400	\$ 3,673,544	\$ 2,639,975	\$ 6,313,519
Contribution of Nonfinancial Assets	4,601,191	-	4,601,191	7,188,013	-	7,188,013
United Way	151,768	-	151,768	5,371	-	5,371
Government Grants	3,806,771	-	3,806,771	10,733,613	-	10,733,613
Sales Revenue	5,150,820	-	5,150,820	4,386,790	-	4,386,790
Conference Revenue	157,050	-	157,050	149,317	-	149,317
Investment Income	157,954	-	157,954	130,083	-	130,083
Miscellaneous Income	29,400	-	29,400	104,795	-	104,795
Net Assets Released from Restrictions:						
Satisfaction of Time Restrictions	217,432	(217,432)	-	22,371	(22,371)	-
Satisfaction of Purpose Restrictions	1,300,956	(1,300,956)	-	685,052	(685,052)	-
Satisfaction of Capital Restrictions	1,825	(1,825)	-	750,591	(750,591)	-
Total Support and Revenue	19,822,063	(341,709)	19,480,354	27,829,540	1,181,961	29,011,501
Expense:						
Program Services	17,598,547	-	17,598,547	25,864,624	-	25,864,624
Support Services:						
Management and General	1,152,585	-	1,152,585	1,134,515	-	1,134,515
Fundraising	921,658	-	921,658	843,754	-	843,754
Total Support Services	2,074,243	-	2,074,243	1,978,269	-	1,978,269
Total Expense	19,672,790	-	19,672,790	27,842,893	-	27,842,893
Change in Net Assets from Operations	149,273	(341,709)	(192,436)	(13,353)	1,181,961	1,168,608
Other Changes in Net Assets:						
Merger Acquisition	-	-	-	2,042,541	-	2,042,541
Change in Net Assets	149,273	(341,709)	(192,436)	2,029,188	1,181,961	3,211,149
Net Assets - Beginning of Year	7,582,824	1,553,337	9,136,161	5,553,636	371,376	5,925,012
Net Assets - End of Year	\$ 7,732,097	\$ 1,211,628	\$ 8,943,725	\$ 7,582,824	\$ 1,553,337	\$ 9,136,161

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, 2025 WITH COMPARATIVE TOTALS FOR 2024

	2025				2024	
	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 2,914,996	\$ 350,360	\$ 436,004	\$ 786,364	\$ 3,701,360	\$ 3,430,172
Employee Benefits	431,449	51,857	64,533	116,390	547,839	536,410
Payroll Taxes	254,960	30,644	38,135	68,779	323,739	291,031
Total Personnel Costs	3,601,405	432,861	538,672	971,533	4,572,938	4,257,613
Food Costs	6,707,002	12,796	106	12,902	6,719,904	5,239,319
Contributions of Non-Financial Assets - Food	4,546,083	-	-	-	4,546,083	7,218,556
Professional Fees	1,099,524	132,154	164,459	296,613	1,396,137	1,227,351
Occupancy	233,599	299,436	-	299,436	533,035	505,400
Office Expenses	183,988	103,988	181,050	285,038	469,026	330,576
Pass Through Grant Expense	355,923	-	-	-	355,923	7,939,021
Travel, Transportation, and Shipping	312,769	519	119	638	313,407	447,539
Miscellaneous	204,372	-	34,213	34,213	238,585	154,782
Supplies	103,004	1,154	94	1,248	104,252	130,009
Staff and Volunteer	27,542	28,078	2,945	31,023	58,565	69,991
Contributions of Non-Financial Assets - Other	47,947	-	-	-	47,947	28,756
Depreciation and Amortization	175,389	141,599	-	141,599	316,988	293,980
Total Expense	\$ 17,598,547	\$ 1,152,585	\$ 921,658	\$ 2,074,243	\$ 19,672,790	\$ 27,842,893

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, 2024

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

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

THE FOOD GROUP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2025 AND 2024

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash	\$ 672,687	\$ 559,596
Investments	1,873,024	1,848,678
Accounts Receivable	542,169	193,758
Contributions and Grants Receivable	1,441,516	9,002,265
Inventory	898,737	1,143,425
Prepaid Expense	180,916	231,819
Total Current Assets	<u>5,609,049</u>	<u>12,979,541</u>
Contributions and Grants Receivable	250,000	500,000
Property and Equipment - Net	4,568,202	4,688,562
Right of Use Asset	854,462	1,054,290
TOTAL ASSETS	<u>\$ 11,281,713</u>	<u>\$ 19,222,393</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 624,600	\$ 525,606
Accrued Personnel Costs	248,091	262,343
Other Accrued Expenses	7,414	39,637
Grants Payable	-	7,483,310
Refundable Advance	-	131,410
Notes Payable - Current	238,249	168,059
Finance Lease - Current	-	14,748
Operating Lease Liability - Current	164,928	248,683
Funds Held for Others	22,584	21,571
Total Current Liabilities	<u>1,305,866</u>	<u>8,895,367</u>
Long-Term Liabilities:		
Notes Payable - Non Current	342,588	379,908
Finance Lease - Non Current	-	3,706
Operating Lease Liability - Non Current	689,534	807,251
Total Liabilities	<u>2,337,988</u>	<u>10,086,232</u>
Net Assets:		
Without Donor Restrictions	7,732,097	7,582,824
With Donor Restrictions	1,211,628	1,553,337
Total Net Assets	<u>8,943,725</u>	<u>9,136,161</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,281,713</u>	<u>\$ 19,222,393</u>

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, 2025 AND 2024

<u>Increase (Decrease) in Cash</u>	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (192,436)	\$ 1,168,608
Depreciation and Amortization	316,988	305,891
Donated Stock	(50,303)	(42,911)
Net Change in Operating Lease Liability	(82,111)	247,039
Realized (Gain) on Investments	(56,593)	(66,164)
Unrealized (Gain) on Investments	(108,805)	(65,330)
Increases (Decreases) in Operating Liabilities:		
Accounts Payable	98,994	267,767
Accrued Personnel Costs	(14,252)	99,466
Other Accrued Expenses	(32,223)	36,527
Grants Payable	(7,483,310)	7,483,310
Funds Held for Others	1,013	21,571
Refundable Advance	(131,410)	(35,145)
Decreases (Increases) in Operating Assets:		
Accounts Receivable	(348,411)	90,063
Contributions and Grants Receivable	7,810,749	(9,028,235)
Prepaid Expense	50,903	(63,781)
Inventory	244,688	196,403
Net Cash Provided by Operating Activities	<u>23,481</u>	<u>615,079</u>
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(196,628)	(747,931)
Cash Transfer From Merger	-	109,006
Sale of Investments	779,251	360,063
Purchases of Investments	(506,979)	(298,709)
Net Cash Provided (Used) by Investing Activities	<u>75,644</u>	<u>(577,571)</u>
Cash Flows from Financing Activities:		
Proceeds from Draw on Line of Credit	200,000	-
Principal Payments on Notes Payable	(167,580)	(161,689)
Principal Payments on Finance Lease	(18,454)	(12,945)
Net Cash Provided (Used) by Financing Activities	<u>13,966</u>	<u>(174,634)</u>
Net Increase (Decrease) in Cash	113,091	(137,126)
Cash - Beginning of Year	<u>559,596</u>	<u>696,722</u>
Cash - End of Year	<u>\$ 672,687</u>	<u>\$ 559,596</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 16,824</u>	<u>\$ 26,014</u>

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

THE FOOD GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

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.

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.

As of September 30, 2025, Hunger Solutions Minnesota has dissolved and transferred all of its net assets to The Food Group. The Food Group has maintained the programming originally carried out by Hunger Solutions Minnesota.

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.

THE FOOD GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

1. Summary of Significant Accounting Policies (continued):

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.

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.

THE FOOD GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

1. Summary of Significant Accounting Policies (continued):

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 to the allowance when they are considered uncollectible based on historical experience, economic conditions and subsequent collections. No allowance for credit losses has been provided as receivables are considered collectable.

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

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statements of functional expense present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Salaries and related expenses are allocated based on time spent or estimated time spent. Expenses that can be identified with a particular function are expensed to that function. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on management's best estimates of employees' time and efforts.

THE FOOD GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

1. Summary of Significant Accounting Policies (continued):

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.

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 \$-0- and \$131,410 were recorded as of September 30, 2025 and 2024, 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 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.

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

THE FOOD GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

1. Summary of Significant Accounting Policies (continued):

Year-Over-Year Revenue and Expense Variance – State of Minnesota MFSP Grant

The year-over-year variance in revenue and related expenses under the Minnesota Department of Human Services Minnesota Family Support Program (MFSP) grant is attributable to the timing of reimbursement requests rather than changes in funding levels or program operations.

The MFSP grant operates on a July 1 through June 30 grant period and is administered on a cost-reimbursement basis in accordance with Minnesota state statute, which authorizes funding up to the amount specified in statute for the applicable biennium. Program expenditures are incurred and recorded when allowable costs are paid; reimbursement revenue is recognized upon submission and approval of reimbursement requests.

In September 2024, the Organization recorded \$7,467,179.90 in pass-through government expense related to the MFSP grant. Due to the timing of the reimbursement request and approval process, the associated revenue was recognized in a different reporting period. This timing difference resulted in a year-over-year variance between revenue and expense.

Total expenditures remained within the amount authorized by state statute for the applicable grant period. All costs were allowable, allocable, properly documented, and incurred in accordance with grant requirements. The variance is expected to normalize upon recognition of the related reimbursement revenue in the subsequent fiscal period.

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 March 9, 2026, which is the date financial statements were available to be issued.

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.

THE FOOD GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

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, 2025 and 2024, 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,	
	2025	2024
2025	\$ -	\$ 9,002,265
2026	1,441,516	250,000
2027	250,000	250,000
	\$ 1,691,516	\$ 9,502,265

4. Retirement Plan

The Food Group participates in a section 401(k) retirement plan that covers those employees who meet eligibility requirements. Employer contributions of \$46,000 and \$47,044 were made in the years ended September 30, 2025 and 2024, respectively.

5. Investments

The Food Group held the following investments as of:

	September 30,			
	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 1,567,647	\$ 1,854,474	\$ 1,420,742	\$ 1,639,844
Money Market	18,550	18,550	196,875	208,834
	\$ 1,586,197	\$ 1,873,024	\$ 1,617,617	\$ 1,848,678

Investment income included the following as of:

	September 30,	
	2025	2024
Realized and Unrealized Gain	\$ 165,398	\$ 131,494
Interest and Dividends	8,745	7,854
Investment Fees	(16,189)	(9,265)
	\$ 157,954	\$ 130,083

THE FOOD GROUP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024

6. 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. A three-tier hierarchy of inputs 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, 2025

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 1,854,474	\$ -	\$ -	\$ 1,854,474
Money Market	18,550	-	-	18,550
	<u>\$ 1,873,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,873,024</u>

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	208,834	-	-	208,834
	<u>\$ 1,848,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,848,678</u>

7. Property and Equipment

The Food Group owned the following as of:

	<u>September 30,</u>		<u>Estimated</u>
	<u>2025</u>	<u>2024</u>	<u>Useful Lives</u>
Land	\$ 1,100,000	\$ 1,100,000	
Buildings and Building Improvements	4,439,036	4,275,208	5-39 years
Furniture and Equipment	1,426,374	1,369,476	5 years
Leased Trucks	-	672,241	7 years
Finance Lease - Copiers	-	64,969	5 years
Vehicles	871,732	871,732	5 years
	<u>7,837,142</u>	<u>8,353,626</u>	
Less Accumulated Depreciation	3,268,940	3,613,089	
Less Accumulated Depreciation Finance Lease	-	51,975	
	<u>\$ 4,568,202</u>	<u>\$ 4,688,562</u>	

Depreciation expense of \$316,988 and \$293,980 was recorded for the years ended September 30, 2025 and 2024, respectively. For the years ended September 30, 2025 and 2024, \$- and \$11,911, respectively, were included in other expense accounts due to it being depreciation on finance leases for office equipment or vehicles

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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>2025</u>	<u>2024</u>
Foods	\$ 4,553,244	\$ 7,159,257
Hygiene and Household Products	11,376	16,738
Other Program Supplies	15,556	12,018
Legal Services	<u>21,015</u>	<u>-</u>
	<u>\$ 4,601,191</u>	<u>\$ 7,188,013</u>

Contributions of Nonfinancial Assets were utilized for programming during the years ended September 30, 2025 and 2024, 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.

9. Liquidity and Availability

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

	<u>September 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash	\$ 672,687	\$ 559,596
Investments	1,873,024	1,848,678
Accounts Receivable	542,023	864,850
Contributions and Grants Receivable	<u>1,441,516</u>	<u>8,831,173</u>
Total Financial Assets	4,529,250	12,104,297
Less assets not available to be used within one year:		
Net Assets with Donor Restrictions	1,211,628	1,553,337
Net Assets with Restrictions to be met within a year	<u>(961,628)</u>	<u>(1,053,337)</u>
Total assets not available for general expenditures		
Within one year:	<u>250,000</u>	<u>500,000</u>
Financial assets available for general expenditures within one year:	<u>\$ 4,279,250</u>	<u>\$ 11,604,297</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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10. Leases

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

Effective June 2025, The Food Group entered into a noncancellable lease for a Ricoh copier that expires June 2030.

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

	<u>September 30,</u>	
	<u>2025</u>	<u>2024</u>
Weighted Average Remaining Lease Term:		
Operating Leases	5.21 years	5.65 years
Finance Leases	0 years	1.08 years
Weighted Average Discount Rate:		
Operating Leases	3.78%	3.90%
Finance Leases	-	10.92%

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>2025</u>	<u>2024</u>
Operating lease expense included in Travel and Office Expenses	\$ 169,128	\$ 189,655
Financing lease expense included in Travel and Office Expenses	-	16,918

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

	<u>September 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of Lease liabilities:		
Operating cash flows from operating leases	\$ 169,128	\$ 189,655
Financing cash flows from finance leases	-	13,296
Lease assets obtained in exchange for lease obligations:		
Finance Leases	\$ -	\$ 15,120
Operating Leases	83,992	1,395,516

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10. Leases (continued)

Maturities of lease liabilities as of September 30, 2025:

	<u>Operating</u>
2026	\$ 181,726
2027	181,726
2028	181,726
2029	181,726
2030	177,529
2031 and Beyond	<u>41,232</u>
Total Lease Payment	945,665
Less: Interest	<u>(91,202)</u>
Present Value of Lease Liabilities	<u>\$ 854,462</u>

11. Notes Payable

The breakdown of notes payable is as follows:

	<u>September 30,</u>	
	<u>2025</u>	<u>2024</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.	\$ 10,190	\$ 129,674
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.	1,971	25,086
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.	373,924	398,906
\$1,000,000 principal Line of Credit with MidWestOne Bank Interest Rate 7.50% at September 30, 2025. Maturing May 26, 2026.	<u>200,000</u>	<u>-</u>
	586,085	553,666
Less Unamortized Loan Fees Paid	5,248	5,699
Less Portion Due Within One (1) Year	<u>238,249</u>	<u>168,059</u>
Long-term Portion	<u>\$ 342,588</u>	<u>\$ 379,908</u>

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11. Notes Payable (continued)

Principal payments required are as follows:

<u>Due in the Year Ending September 30,</u>	
2026	\$ 238,249
2027	27,016
2028	27,977
2029	28,973
2030	30,002
2031 and thereafter	<u>233,868</u>
Total	<u>\$ 586,085</u>

12. Net Assets With Donor Restrictions

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

	<u>September 30,</u>	
	<u>2025</u>	<u>2024</u>
Time Restrictions:		
Future Operations	\$ 913,403	\$ 1,214,216
Program Restrictions:		
Childhood Nutrition	-	225,000
Emerging Farmers Conference	157,775	42,955
Hunger Free Schools	-	61,619
Indigenous Foods	30,000	6,016
Solar Farm	110,450	-
Big River Farmers Irrigation	-	<u>3,531</u>
	<u>\$ 1,211,628</u>	<u>\$ 1,553,337</u>