



Financial Statements
June 30, 2022

Food Bank for Larimer County

(With Comparative Totals for 2021)

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Independent Auditor's Report

To the Board of Directors
Food Bank for Larimer County
Loveland, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Food Bank for Larimer County, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and our 2022 audit in accordance with the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States (*Governmental Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Food Bank for Larimer County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Food Bank for Larimer County's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental 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 Food Bank for Larimer County'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 Food Bank for Larimer County'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 on our consideration of Food Bank for Larimer County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Food Bank for Larimer County’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Food Bank for Larimer County’s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the 2021 financial statements of Food Bank for Larimer County, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fort Collins, Colorado
October 20, 2022

Food Bank for Larimer County
Statement of Financial Position
June 30, 2022
(with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 2,982,216	\$ 5,734,509
Investments	6,207,693	4,230,978
Federal and state contracts and grants receivable, net	202,061	329,356
Promises to give, net	2,000	199,438
Food inventory	1,813,912	1,946,319
Prepaid expenses	68,915	-
Property and equipment, net	12,328,408	11,702,452
Beneficial interest in assets held by community foundation	<u>175,754</u>	<u>197,090</u>
Total assets	<u>\$ 23,780,959</u>	<u>\$ 24,340,142</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	<u>\$ 453,311</u>	<u>\$ 546,110</u>
Total liabilities	<u>453,311</u>	<u>546,110</u>
Net Assets		
Without Donor Restrictions		
Undesignated	5,437,957	7,158,286
Held pursuant to member contract	1,401,740	1,151,736
Board designated - operating reserve	1,401,740	1,151,736
Board designated - capital asset reserve	2,391,146	2,293,373
Invested in property and equipment	<u>12,328,408</u>	<u>11,702,452</u>
	22,960,991	23,457,583
With Donor Restrictions	<u>366,657</u>	<u>336,449</u>
Total net assets	<u>23,327,648</u>	<u>23,794,032</u>
Total liabilities and net assets	<u>\$ 23,780,959</u>	<u>\$ 24,340,142</u>

Food Bank for Larimer County
Statement of Activities
Year Ended June 30, 2022
(with comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, Support, and Gains				
Contributions	\$ 5,741,324	\$ 191,896	\$ 5,933,220	\$ 8,711,155
Federal and state contracts and grants	897,650	-	897,650	991,638
In-kind contributions	17,103,312	-	17,103,312	16,687,227
Shared maintenance fees				
from member agencies	175,669	-	175,669	246,270
Net investment return (loss)	(621,831)	(21,336)	(643,167)	317,032
Other revenue	53,314	-	53,314	175,496
Gross special events revenue	272,122	-	272,122	202,978
Less cost of direct benefits to donors	(22,925)	-	(22,925)	(14,943)
Net special events revenue	249,197	-	249,197	188,035
Net assets released from restrictions	140,352	(140,352)	-	-
Total revenue, support, and gains	23,738,987	30,208	23,769,195	27,316,853
Expenses and Losses				
Program services expense	21,999,281	-	21,999,281	19,966,908
Supporting services expense				
Management and general	464,990	-	464,990	464,198
Fundraising and development	1,046,965	-	1,046,965	1,000,145
Total supporting services expenses	1,511,955	-	1,511,955	1,464,343
Loss on disposal of equipment	97,738	-	97,738	-
Total expenses and losses	23,608,974	-	23,608,974	21,431,251
Change in net assets before depreciation	130,013	30,208	160,221	5,885,602
Depreciation	(626,605)	-	(626,605)	(594,947)
Change in Net Assets	(496,592)	30,208	(466,384)	5,290,655
Net Assets, Beginning of Year	23,457,583	336,449	23,794,032	18,503,377
Net Assets, End of Year	\$ 22,960,991	\$ 366,657	\$ 23,327,648	\$ 23,794,032

Food Bank for Larimer County
Statement of Functional Expenses
Year Ended June 30, 2022
(with comparative totals for 2021)

	2022			Total	2021 Total
	Program Services	Management and General	Fundraising and Development		
Donated food distributed	\$ 17,155,414	\$ -	\$ -	\$ 17,155,414	\$ 15,839,234
Salaries, benefits and taxes	2,269,463	362,303	522,238	3,154,004	2,747,220
Prepared meals, food acquisition and distribution	1,660,555	-	-	1,660,555	1,464,396
Depreciation	599,662	9,605	17,338	626,605	594,947
Occupancy	304,131	4,871	8,793	317,795	311,843
Donor cultivation	-	-	268,783	268,783	243,824
Information technology	157,956	12,338	35,076	205,370	178,636
Program supplies	183,571	553	1,123	185,247	95,988
Vehicle operations and maintenance	161,146	-	-	161,146	109,459
Office expenses	16,289	26,683	71,589	114,561	164,504
Printing and mailing	4,665	-	104,454	109,119	97,685
Insurance	36,429	6,665	5,665	48,759	35,813
Professional services	3,833	37,091	-	40,924	41,993
Conferences, meetings and travel	19,814	14,486	5,992	40,292	22,532
Other	5,473	-	23,045	28,518	52,353
Cost of direct benefits to donors	-	-	22,925	22,925	14,943
Volunteer expense	20,542	-	207	20,749	12,005
Interest expense	-	-	-	-	13,766
Total expenses	22,598,943	474,595	1,087,228	24,160,766	22,041,141
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	(22,925)	(22,925)	(14,943)
Less depreciation (presented separately from other expenses)	(599,662)	(9,605)	(17,338)	(626,605)	(594,947)
Total expenses included in the expense section on the statement of activities	\$ 21,999,281	\$ 464,990	\$ 1,046,965	\$ 23,511,236	\$ 21,431,251

Food Bank for Larimer County
Statement of Cash Flows
Year Ended June 30, 2022
(with comparative totals for 2021)

	2022	2021
Operating Activities		
Change in net assets	\$ (466,384)	\$ 5,290,655
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	626,605	594,947
Realized and unrealized (gain) loss on investments	673,223	(259,491)
Loss on disposal of property and equipment	97,738	-
Change in value of beneficial interest held by community foundation	21,336	(35,777)
Net change in contributed food inventory	132,407	(1,014,101)
Forgiveness of PPP loan	-	(366,200)
Changes in operating assets and liabilities		
Federal and state contracts and grants receivable, net	127,295	(80,711)
Promises to give, net	197,438	243,019
Prepaid expenses	(68,915)	50,000
Accounts payable and accrued expenses	(92,799)	136,360
Net Cash from Operating Activities	1,247,944	4,558,701
Investing Activities		
Purchases of investments	(2,649,938)	(4,517,712)
Proceeds from sales of investments	-	2,000,018
Purchases of property and equipment	(1,358,064)	(424,305)
Proceeds from sale of property and equipment	7,765	-
Net Cash used for Investing Activities	(4,000,237)	(2,941,999)
Financing Activities		
Principal payments on note payable	-	(1,605,063)
Net Cash used for Financing Activities	-	(1,605,063)
Net Change in Cash and Cash Equivalents	(2,752,293)	11,639
Cash and Cash Equivalents, Beginning of Year	5,734,509	5,722,870
Cash and Cash Equivalents, End of Year	\$ 2,982,216	\$ 5,734,509
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ -	\$ 13,766

Note 1 - Principal Activity and Significant Accounting Policies

Agency

The Food Bank for Larimer County (FBLC, we, us, our) works to ensure that no one goes hungry in Larimer County. We are a nonprofit organization that acts as a centralized agency collecting, storing, and distributing salvageable, usable food to a variety of nonprofit agencies and low-income individuals. This year, we distributed over 7.9 million meals and snacks to people in need through community partnerships and hunger-relief programs.

We collect food and funds from a variety of sources, including businesses, farms, food drives, individuals, and Feeding America, the nation's largest domestic hunger-relief organization. Food donations are distributed to individuals in need through three overlapping and integrated programs: Fresh Food Share, Nourishing Network and Nutritious Kitchen.

Fresh Food Share: Our Fresh Food Share program is one of the nation's largest, client-choice, fresh food pantry programs. We have brick and mortar locations in Fort Collins and Loveland, and also operate three mobile pantries in partnership with community organizations. Fresh Food Share distributes fruits, vegetables, bread, meat, and dairy to more than 22,500 individuals, representing more than 11,000 households over the course of the year. Individuals qualify for Food Share based on residency and gross monthly income. Our goal is to provide each person with enough food for at least one meal per day each month. We served 6,333,324 meals through Fresh Food Share programs in fiscal year 2022.

Nutritious Kitchen: Our Nutritious Kitchen provides meals and snacks for a variety of sites serving vulnerable child and senior populations. Our Child Nutrition programs include Kids Cafe and Kids Link. Kids Cafe provides nutritious meals and snacks after school and during the summer at sites throughout Larimer County. Through Kids Cafe, we served over 282,000 meals and snacks to eligible school-aged children. In partnership with the Junior League of Fort Collins, Kids Link supplies packaged snacks to qualifying schools to assist children who display signs of hunger. In partnership with the Junior League of Fort Collins, Kids Link provided over 72,000 healthy, individually packaged snacks to qualifying schools in Poudre and Thompson School Districts. Our Senior Nutrition program provides meals for Volunteers of America congregate senior meal sites. During FY2022, we shifted from providing individual, frozen meals to ready to eat and hot meals. This allowed VOA's clients to eat as part of a congregate group or to participate in a drive-thru and take the meals home to eat. In partnership with VOA, the program provided over 15,000 meals for seniors. This represented the most meals served since the start of the pandemic.

Nourishing Network: Nourishing Network provides food to over 110 non-profit organization programs to distribute to their clients in need. These programs include food pantries, kitchens, shelters, and snack programs that serve low-income populations. Last year, we saved our partner agencies over \$2.8 million on food costs. This program distributed 1,394,233 meals through our partner agencies to those in need.

Outreach Services: Our Outreach Services team consists of the Cooking Matters nutrition education, SNAP (food stamps) and other benefit outreach and application assistance, and both federal and non-federal programs for seniors. We assisted 4,530 individuals representing 2,896 households with SNAP applications and recertifications, facilitating access to over 2.2 million meals and generating over \$11.5 million of local economic impact. As Volunteers of America (VOA) returned to congregate meals, our senior program distributed over 7,000 federal commodity boxes, coupled with fresh produce. These boxes helped provide both shelf stable and fresh produce for many of our senior (over 60-year-old) clients.

Home Delivery: The program was revised in the summer of 2021 and continued into 2022 with no new clients being added to the program. Currently, we have a monthly delivery roster consisting of 50 elderly, homebound or immune-compromised individuals.

Nappie Project: In July of 2021 FBLC officially incorporated The Nappie Project, a formerly independent 501(c)(3) non-profit diaper bank, as an FBLC Program. The Nappie Project sources donated and purchased diapers, wipes, and associated products, and distributes them through Fresh Food Share programs, and to agency partners. The Nappie Project distributed more than 664,000 individual diapers and packages of wipes to 17 different agency partners, and over 5,200 individuals in fiscal year 2022.

Curbside Pickup: For the duration of the COVID-19 pandemic, the Food Bank for Larimer County operated all Fresh Food Share pantries and mobile pantries in a drive-through model to minimize contact. To address the needs of individuals who were uncomfortable or unable to resume shopping inside, we launched a Curbside Pickup in October of 2021, and have completed 660 curbside orders, serving more than 600 unduplicated individuals representing more than 250 households.

Local Farm Purchasing Program: In the wake of widespread business closures in the spring of 2020, FBLC recognized a possible hardship for local, small-scale farmers. Through a variety of funding sources, we have been able to continue this program, and in fiscal year 2022 we worked with 6 different local farms to source over 17,400 pounds of fresh, local produce. This program contributed \$28,492 to the local food economy through farmer-direct purchases.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are not held as part of our investments, to be cash and cash equivalents.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Receivables and Credit Policies

Federal and state contracts and grants receivable consist primarily of noninterest-bearing amounts due for Summer Food Service Program. Allowance for uncollectable contracts and grants receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Federal and state contracts and grants receivable are written off when deemed uncollectable. At June 30, 2022, no allowance was considered necessary.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2022, no allowance was considered necessary. All promises to give outstanding at June 30, 2022 were estimated to be collected within one year.

Food Inventory

Inventory is comprised of donated and purchased food held for donation and distribution and is stated at the lower of cost or net realizable value. Receipts and distributions of food are recorded at the weighted-average price per gross pound of \$1.79, as estimated by Feeding America, for the year ended June 30, 2022. Total food on hand totaled approximately 1 million pounds as of June 30, 2022. Due to the perishable nature of inventory, management believes no reserve is necessary.

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Beneficial Interest in Assets Held by Community Foundation

During 2011, we established a fund (the Fund) with a community foundation (CF) and named ourselves as beneficiary. We granted variance power to CF which allows CF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of CF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by CF for our benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities as a part of net investment return.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions in the amount of \$1,401,740 and representing an average quarter's operating expenses based on the previous fiscal year audited financial statements excluding donated food distributed and depreciation are held pursuant to member contract with Feeding America. The Board of Directors has designated, from net assets without donor restrictions, net assets for board-designated operating reserve and board-designated capital asset reserve in the amounts of \$1,401,740 and \$2,391,146, respectively.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor (or certain grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restrictions when the assets are placed in service. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Revenue and Revenue Recognition

We recognize revenue from other member agencies for shared maintenance fees, when the performance obligation of purchasing and delivering food is met. The performance obligation consists of providing member agencies with donated and purchased food for distribution. The fees are used to cover the costs of food transportation, storage, handling, and packing.

We recognize 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 met.

A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have 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.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. No significant professional services were donated in fiscal year 2022.

As of July 1, 2021, we adopted the provisions of Accounting Standards Updated (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this updated on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$18,673 in fiscal year 2022.

Functional Allocation of Expenses

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

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits and taxes, depreciation, occupancy, information technology, office expenses, insurance and other, which are allocated on the basis of estimates of time and effort as well as pounds distributed.

Income Taxes

FBLC has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization in Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. FBLC is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, FBLC is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. FBLC has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return for fiscal year 2022.

We believe that we have appropriate support for any tax positions taken affecting our annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. We would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions we believe to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with federal and state contracts and grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by management and the Finance Committee of the Board of Directors.

Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of FBLC.

Subsequent Events

We have evaluated subsequent events through October 20, 2022, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

In the next fiscal year, we expect both the number of donor contributions and the number of donors to decline from the unprecedented levels seen throughout the COVID-19 pandemic. We regularly monitor liquidity to meet our operating needs and other contractual commitments and believe this is a fiscally prudent decision.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 2,982,216
Investments	<u>6,207,693</u>
Total cash, cash equivalents, and investments	9,189,909
Federal and state contracts and grants receivable, net	202,061
Promises to give due within one year	<u>2,000</u>
Financial assets presented on the statement of financial position	9,393,970
Less: unavailable for general expenditure within one year	
Investments held pursuant to member contract	(1,401,740)
Board designated - capital asset reserve	<u>(2,391,146)</u>
	<u>\$ 5,601,084</u>

Cash and cash equivalents include donor restricted funds of \$191,000 which are expected to be spent in the normal course of operations in the next 12 months.

The Board of Directors has established an operating reserve representing an average quarter's operating expenses based on the previous fiscal year audited financial statements excluding donated food distributed and depreciation. This board-designated operating reserve is included in the liquidity table above due to its availability to cover our short-term needs. The Board of Directors has also established a capital asset reserve of \$2,391,146 as of June 30, 2022. The capital asset reserve is intended as a means for the Board to plan long-term facility maintenance and improvements, and therefore this reserve amount is excluded from the liquidity table above.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to an entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they are comprised of exchange-traded funds with readily determinable fair values based on daily closing market prices. We also invest in certificates of deposit, which are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. This is considered to be a Level 3 measurement.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2022:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	\$ 326,495	\$ -	\$ -	\$ -
Exchange-traded funds				
Global equity	2,388,732	2,285,966	-	-
Corporate bonds	2,285,791	2,388,487	-	-
Certificates of deposit	1,206,675	-	1,206,675	-
	<u>\$ 6,207,693</u>	<u>\$ 4,674,453</u>	<u>\$ 1,206,675</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundation	<u>\$ 175,754</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,754</u>

Below is a reconciliation of the beginning and ending balance of beneficial interest in assets held by community foundation measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

Balance at beginning of year	\$ 197,090
Net investment loss	(21,336)
Balance at end of year	<u>\$ 175,754</u>

Note 4 - Property and Equipment

Property and equipment consists of the following at June 30, 2022:

Buildings and improvements	\$ 13,817,635
Warehouse equipment	880,432
Land	890,000
Vehicles	939,676
Furniture and fixtures	303,227
	<u>16,830,970</u>
Less accumulated depreciation	(4,502,562)
	<u>\$ 12,328,408</u>

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022:

Restricted by donors for:	
Fresh Food Share	\$ 89,684
Nourishing Network	40,351
Events	30,000
Kids Café	25,868
Other	5,000
Beneficial interest in assets held by community foundation	175,754
	\$ 366,657

Net assets were released from restrictions as follows during the year ended June 30, 2022:

Expiration of time restrictions	\$ 10,000
Satisfaction of purpose restrictions:	
Fresh Food Share	52,609
SNAP Outreach	35,000
Events	25,000
Kids Café	17,743
	\$ 140,352

Note 6 - In-kind Contributions

During the year ended June 30, 2022, we received donated food inventory with a total estimated value of \$17,059,182 to assist with our organizational mission.

Contributed food is valued using Feeding America’s estimated weighted-average price per gross pound of food as calculated during Feeding America’s most recent audited financial statement. Contributed food is used in program services and is unrestricted.

Note 7 - Employee Benefits

We sponsor a defined contribution retirement plan under which eligible employees may elect to defer a portion of their salaries subject to current limits established by the Internal Revenue Code. We contribute 100% of the first 5% of compensation that the participant contributes to the Plan. During the year ended June 30, 2022, we made contributions of approximately \$55,000 to the Plan.