



Financial Statements  
June 30, 2023

# Food Bank for Larimer County

(With Comparative Totals for 2022)

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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, 2023, 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, 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and 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 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 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 19, 2023 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 2022 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 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 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 Sully LLP".

Fort Collins, Colorado  
October 19, 2023

Food Bank for Larimer County  
Statement of Financial Position  
June 30, 2023  
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,262,248	\$ 2,982,216
Investments	7,613,170	6,207,693
Federal and state contracts and grants receivable, net	402,424	204,061
Food inventory	1,767,630	1,813,912
Prepaid expenses	30,000	68,915
Property and equipment, net	12,065,073	12,328,408
Beneficial interest in assets held by community foundation	<u>224,728</u>	<u>175,754</u>
Total assets	<u><u>\$ 24,365,273</u></u>	<u><u>\$ 23,780,959</u></u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	<u>\$ 490,783</u>	<u>\$ 453,311</u>
Total liabilities	<u>490,783</u>	<u>453,311</u>
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	5,767,675	5,437,957
Held pursuant to member contract	1,594,687	1,401,740
Board designated - operating reserve	1,594,687	1,401,740
Board designated - capital asset reserve	2,454,631	2,391,146
Invested in property and equipment	<u>12,065,073</u>	<u>12,328,408</u>
	23,476,752	22,960,991
With Donor Restrictions	<u>397,738</u>	<u>366,657</u>
Total net assets	<u>23,874,490</u>	<u>23,327,648</u>
Total liabilities and net assets	<u><u>\$ 24,365,273</u></u>	<u><u>\$ 23,780,959</u></u>

Food Bank for Larimer County  
Statement of Activities  
Year Ended June 30, 2023  
(with comparative totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, Support, and Gains				
Contributions	\$ 6,228,139	\$ 191,010	\$ 6,419,149	\$ 5,933,220
Federal and state contracts and grants	1,364,287	-	1,364,287	897,650
In-kind contributions	17,993,339	-	17,993,339	17,103,312
Shared maintenance fees				
from member agencies	243,322	-	243,322	175,669
Net investment return (loss)	442,103	15,974	458,077	(643,167)
Other revenue	61,276	-	61,276	53,314
Gross special events revenue	311,853	-	311,853	272,122
Less cost of direct benefits to donors	(20,251)	-	(20,251)	(22,925)
Net special events revenue	291,602	-	291,602	249,197
Net assets released from restrictions	175,903	(175,903)	-	-
Total revenue, support, and gains	26,799,971	31,081	26,831,052	23,769,195
Expenses and Losses				
Program services expense	23,863,378	-	23,863,378	21,999,281
Supporting services expense				
Management and general	543,152	-	543,152	464,990
Fundraising and development	1,178,754	-	1,178,754	1,046,965
Total supporting services expenses	1,721,906	-	1,721,906	1,511,955
Loss on disposal of equipment	2,101	-	2,101	97,738
Total expenses and losses	25,587,385	-	25,587,385	23,608,974
Change in net assets before depreciation	1,212,586	31,081	1,243,667	160,221
Depreciation	(696,825)	-	(696,825)	(626,605)
Change in Net Assets	515,761	31,081	546,842	(466,384)
Net Assets, Beginning of Year	22,960,991	366,657	23,327,648	23,794,032
Net Assets, End of Year	\$ 23,476,752	\$ 397,738	\$ 23,874,490	\$ 23,327,648

Food Bank for Larimer County

Statement of Functional Expenses

Year Ended June 30, 2023

(with comparative totals for 2022)

	2023			Total	2022 Total
	Program Services	Management and General	Fundraising and Development		
Donated food distributed	\$ 18,109,650	\$ -	\$ -	\$ 18,109,650	\$ 17,155,414
Salaries, benefits and taxes	2,601,223	439,403	634,430	3,675,056	3,154,004
Prepared meals, food acquisition and distribution	2,200,142	-	-	2,200,142	1,660,555
Depreciation	666,863	10,681	19,281	696,825	626,605
Occupancy	351,730	5,919	10,685	368,334	317,795
Donor cultivation	-	-	274,991	274,991	268,783
Information technology	127,246	9,859	27,782	164,887	205,370
Vehicle operations and maintenance	162,996	-	-	162,996	161,146
Office expenses	25,351	25,549	102,750	153,650	114,561
Program supplies	128,636	810	1,647	131,093	185,247
Printing and mailing	7,623	-	91,789	99,412	109,119
Insurance	60,889	4,680	6,672	72,241	48,759
Conferences, meetings and travel	25,894	15,205	6,796	47,895	40,292
Professional services	4,587	41,727	-	46,314	40,924
Other	36,427	-	21,000	57,427	28,518
Volunteer expense	20,984	-	212	21,196	20,749
Cost of direct benefits to donors	-	-	20,251	20,251	22,925
<b>Total expenses</b>	<b>24,530,241</b>	<b>553,833</b>	<b>1,218,286</b>	<b>26,302,360</b>	<b>24,160,766</b>
Less expenses included with revenues on the statement of activities					
Cost of direct benefits to donors	-	-	(20,251)	(20,251)	(22,925)
Less depreciation (presented separately from other expenses)	(666,863)	(10,681)	(19,281)	(696,825)	(626,605)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 23,863,378</b>	<b>\$ 543,152</b>	<b>\$ 1,178,754</b>	<b>\$ 25,585,284</b>	<b>\$ 23,511,236</b>



Food Bank for Larimer County  
Statement of Cash Flows  
Year Ended June 30, 2023  
(with comparative totals for 2022)

	2023	2022
Operating Activities		
Change in net assets	\$ 546,842	\$ (466,384)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	696,825	626,605
Realized and unrealized (gain) loss on investments	(302,724)	673,223
Loss on disposal of property and equipment	2,101	97,738
Change in value of beneficial interest held by community foundation	(15,974)	21,336
Net change in contributed food inventory	46,282	132,407
Changes in operating assets and liabilities		
Federal and state contracts and grants receivable, net	(198,363)	127,295
Promises to give, net	-	197,438
Prepaid expenses	38,915	(68,915)
Accounts payable and accrued expenses	37,472	(92,799)
	851,376	1,247,944
Net Cash from Operating Activities		
Investing Activities		
Purchases of investments	(2,104,117)	(2,649,938)
Proceeds from sales of investments	1,001,364	-
Contributions to beneficial interest	(33,000)	-
Purchases of property and equipment	(437,091)	(1,358,064)
Proceeds from sale of property and equipment	1,500	7,765
	(1,571,344)	(4,000,237)
Net Cash used for Investing Activities		
Net Change in Cash and Cash Equivalents	(719,968)	(2,752,293)
Cash and Cash Equivalents, Beginning of Year	2,982,216	5,734,509
Cash and Cash Equivalents, End of Year	\$ 2,262,248	\$ 2,982,216

**Note 1 - Principal Activity and Significant Accounting Policies****Agency**

The Food Bank for Larimer County (FBLC) 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 food to a variety of nonprofit agencies and low-income individuals. This year, we distributed over 8.2 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 four overlapping and integrated programs: Fresh Food Share, Nutritious Kitchen, Nourishing Network, and Local Farm Purchasing Program.

**Fresh Food Share:** Our Fresh Food Share program is client-choice, fresh food pantry programs. We have brick and mortar locations in Fort Collins and Loveland and operate three mobile pantries in partnership with community organizations. Fresh Food Share distributes fruits, vegetables, bread, meat, and dairy to more than 29,387 individuals, representing more than 12,345 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 provided 6,203,458 meals through Fresh Food Share programs in fiscal year 2023.

**Nutritious Kitchen:** Our Nutritious Kitchen provides meals and snacks for a variety of sites serving children 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 351,500 meals and snacks to eligible school-aged children. Our Nutritious Kitchen also prepared over 2,500 meals for our Campus Connection partner who operates an At-Risk school mentoring program. Our Senior Nutrition program provides meals for Volunteers of America (VOA) congregate senior meal sites. During fiscal year 2022, 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 19,600 meals for seniors. This represented a 31% increase.

**Nourishing Network:** Nourishing Network provides food to over 119 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 \$3.0 million on food costs. This program distributed 1,714,255 meals through our partner agencies to those in need.

**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 2023 we worked with 12 different local farms to source over 72,000 pounds of fresh, local produce. This program contributed \$80,000 to the local food economy through farmer-direct purchases.

**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 \$11.5M of local economic impact. As 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 2023 program saw no new clients being added to the program. Currently, we have a monthly delivery roster consisting of 40 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 distributed through Fresh Food Share programs, and to agency partners. The Nappie Project distributed more than 696,568 individual diapers and packages of wipes to 19 different agency partners, and over 5,200 individuals in fiscal year 2023.

**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. Our Curbside Pickup Program was discontinued in Q1 of fiscal year 2023 due to declining visitation, a high rate of no-shows (around 30-40% of curbside orders placed were never picked up, resulting in high amounts of waste) and a disproportionate demand on staff time (Curbside Pickup occupied around 5% of overall Fresh Food Share staff time, but only served less than 1% of clients). We continue to meet the needs of individuals with severe mobility issues by way of reasonable accommodation.

### **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, 2022, 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, 2023, 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. There were no outstanding promises to give at June 30, 2023.

**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 \$1.92, as estimated by Feeding America, for the year ended June 30, 2023. Total food on hand totaled approximately 960,000 pounds as of June 30, 2023. 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, 2023.

### **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 \$1,594,687 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 \$1,594,687 and \$2,454,631, 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 2023.

**Advertising Costs**

Advertising costs are expensed as incurred, and approximated \$18,004 in fiscal year 2023.

**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 2023.

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.

FBLC maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023, FBLC had \$1,493,612 in excess of FDIC-insured limits.

**Subsequent Events**

We have evaluated subsequent events through October 19, 2023, the date the financial statements were available to be issued.

**Note 2 - Liquidity and Availability**

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	\$ 2,262,248
Investments	<u>7,613,170</u>
Total cash, cash equivalents, and investments	9,875,418
Federal and state contracts and grants receivable, net	<u>402,424</u>
Financial assets presented on the statement of financial position	10,277,842
Less: unavailable for general expenditure within one year	
Investments held pursuant to member contract	(1,594,687)
Board designated - capital asset reserve	<u>(2,454,631)</u>
	<u><u>\$ 6,228,524</u></u>

*Cash and cash equivalents* include donor restricted funds of \$173,000 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 \$2,454,631 as of June 30, 2023. 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 and U.S. government obligations, 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, 2023:

	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)	\$ 252,537	252,537	\$ -	\$ -
Exchange-traded funds				
Equities	2,439,039	2,439,039	-	-
Corporate bonds	2,738,007	2,738,007	-	-
Certificates of deposit	205,310	-	205,310	-
US treasury notes	1,978,277	-	1,978,277	-
	<u>\$ 7,613,170</u>	<u>\$ 5,429,583</u>	<u>\$ 2,183,587</u>	<u>\$ -</u>
Beneficial interest in assets held by community foundation	<u>\$ 224,728</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,728</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, 2023:

Balance at beginning of year	\$ 175,754
Contributions	33,000
Net investment return	<u>15,974</u>
Balance at end of year	<u>\$ 224,728</u>

**Note 4 - Property and Equipment**

Property and equipment consists of the following at June 30, 2023:

Buildings and improvements	\$ 14,085,180
Warehouse equipment	971,684
Land	890,000
Vehicles	939,676
Furniture and fixtures	<u>353,820</u>
	17,240,360
Less accumulated depreciation	<u>(5,175,287)</u>
	<u><u>\$ 12,065,073</u></u>

**Note 5 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2023:

Restricted by donors for:	
Fresh Food Share	\$ 66,725
SNAP Outreach	52,336
Loveland Food Share	25,000
Events	18,500
Nourishing Network	6,501
Kids Café	3,948
Beneficial interest in assets held by community foundation	<u>224,728</u>
	<u><u>\$ 397,738</u></u>

Net assets were released from restrictions as follows during the year ended June 30, 2023:

Satisfaction of purpose restrictions:	
Fresh Food Share	\$ 63,868
Nourishing Network	40,350
Events	40,000
Kids Café	26,685
Other	<u>5,000</u>
	<u><u>\$ 175,903</u></u>

**Note 6 - In-kind Contributions**

During the year ended June 30, 2023, we received donated food inventory with a total estimated value of \$17,993,339 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 (the 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, 2023, we made contributions of approximately \$71,000 to the Plan.