



Financial Statements
June 30, 2023 and 2022

Great Plains Food Bank

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Independent Auditor's Report

The Board of Directors
Great Plains Food Bank
Fargo, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Great Plains Food Bank (Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization'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 *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 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 *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 February 5, 2024, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
February 5, 2024

Great Plains Food Bank
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,826,553	\$ 4,301,454
Certificates of deposit	-	650,491
Accounts receivable	215,545	215,065
Current portion of unconditional promises to give	147,000	125,345
Inventories		
Purchased food product	386,321	527,611
Donated food product	1,693,770	1,186,163
Prepaid expenses	122,782	113,851
Total current assets	10,391,971	7,119,980
Property and Equipment, Net	4,291,961	4,328,500
Other Assets		
Investments	1,645,247	1,390,612
Unconditional Promises to Give, Net of Current Portion	90,441	134,256
Certificates of deposit	-	1,225,000
Total other assets	1,735,688	2,749,868
Total assets	\$ 16,419,620	\$ 14,198,348

Great Plains Food Bank
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Current portion of finance lease liability	\$ 96,246	\$ 81,483
Accounts payable	164,013	245,985
Accrued liabilities		
Accrued compensated absences	130,509	125,942
Accrued payroll and other	103,359	95,519
Total current liabilities	494,127	548,929
Long-term Liabilities		
Financing lease liability, net of current portion	236,303	219,635
Total liabilities	730,430	768,564
Net Assets		
Without donor restrictions		
Undesignated	13,674,585	12,316,146
Designated by the Board for comprehensive campaign	231,401	-
Designated by the Board for endowment	176,373	-
	14,082,359	12,316,146
With donor restrictions	1,606,831	1,113,638
Total net assets	15,689,190	13,429,784
Total liabilities and net assets	\$ 16,419,620	\$ 14,198,348

Great Plains Food Bank
Statement of Activities
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Other Income			
Public Support			
Individual donations	\$ 3,818,258	\$ 61,689	\$ 3,879,947
Church and other donations	1,549,930	471,318	2,021,248
In-kind contributions	64,717	-	64,717
Donated food			
In-kind contributions	15,201,747	-	15,201,747
USDA Commodities	3,960,956	-	3,960,956
United Way	128,254	30,000	158,254
Private grants	101,640	1,138,843	1,240,483
Program revenues	1,283,094	-	1,283,094
Governmental fees and grants	1,457,355	-	1,457,355
	<u>27,565,951</u>	<u>1,701,850</u>	<u>29,267,801</u>
Net assets released from restrictions	<u>1,258,117</u>	<u>(1,258,117)</u>	<u>-</u>
Total public support	<u>28,824,068</u>	<u>443,733</u>	<u>29,267,801</u>
Other Income			
Net investment income	65,019	49,460	114,479
Miscellaneous income	209,468	-	209,468
Total other income	<u>274,487</u>	<u>49,460</u>	<u>323,947</u>
Total public support and other income	<u>29,098,555</u>	<u>493,193</u>	<u>29,591,748</u>
Expenses			
Program services	25,729,781	-	25,729,781
Fundraising	1,133,949	-	1,133,949
Administrative and general	468,612	-	468,612
Total expenses	<u>27,332,342</u>	<u>-</u>	<u>27,332,342</u>
Change in Net Assets	1,766,213	493,193	2,259,406
Net Assets, Beginning of Year	<u>12,316,146</u>	<u>1,113,638</u>	<u>13,429,784</u>
Net Assets, End of Year	<u>\$ 14,082,359</u>	<u>\$ 1,606,831</u>	<u>\$ 15,689,190</u>

Great Plains Food Bank
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Other Income			
Public Support			
Individual donations	\$ 3,196,389	\$ 117,281	\$ 3,313,670
Church and other donations	1,471,962	139,418	1,611,380
In-kind contributions	141,673	-	141,673
Donated food			
In-kind contributions	15,908,255	-	15,908,255
USDA Commodities	5,389,005	-	5,389,005
United Way	122,880	30,000	152,880
Private grants	-	781,457	781,457
Program revenues	758,641	-	758,641
Governmental fees and grants	621,393	5,000	626,393
Paycheck Protection Program contribution	-	-	-
	27,610,198	1,073,156	28,683,354
Net assets released from restrictions	1,612,568	(1,612,568)	-
Total public support	29,222,766	(539,412)	28,683,354
Other Income			
Net investment loss	(154,943)	(92,902)	(247,845)
Miscellaneous income (loss)	8,463	(109)	8,354
Total other income (loss)	(146,480)	(93,011)	(239,491)
Total public support and other income	29,076,286	(632,423)	28,443,863
Expenses			
Program services	28,559,104	-	28,559,104
Fundraising	979,950	-	979,950
Administrative and general	457,393	-	457,393
Total expenses	29,996,447	-	29,996,447
Change in Net Assets	(920,161)	(632,423)	(1,552,584)
Net Assets, Beginning of Year	13,236,307	1,746,061	14,982,368
Net Assets, End of Year	\$ 12,316,146	\$ 1,113,638	\$ 13,429,784

Great Plains Food Bank
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Fundraising	Administrative and General	Total Expenses
Salaries	\$ 2,022,991	\$ 388,228	\$ 335,309	\$ 2,746,528
Benefits	496,906	100,812	87,036	684,754
Professional Fees	162,052	33,200	14,625	209,877
Advertising	8,280	452,927	-	461,207
Food Distribution	20,675,556	-	-	20,675,556
Food Spoilage	411,020	-	-	411,020
Office Expense	42,012	59,581	(1,029)	100,564
Shipping and Packing	333,504	-	-	333,504
Property Taxes	3,517	86	65	3,668
Computer and Internet	149,489	30,516	13,495	193,500
Truck Fuel and Repairs	326,825	-	-	326,825
Printing	21,269	19,584	9	40,862
Travel and Meetings	122,686	17,849	2,182	142,717
Telephone	26,174	5,140	3,087	34,401
Utilities	90,902	3,147	2,380	96,429
Insurance	77,460	1,193	902	79,555
Minor Property and Equipment	40,070	10,593	1,460	52,123
Interest	10,026	-	-	10,026
Depreciation and Amortization	342,219	5,435	4,109	351,763
Repairs and Maintenance	101,172	2,274	1,719	105,165
Miscellaneous	265,651	3,384	3,263	272,298
	<u>\$ 25,729,781</u>	<u>\$ 1,133,949</u>	<u>\$ 468,612</u>	<u>\$ 27,332,342</u>

Great Plains Food Bank
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Fundraising	Administrative and General	Total Expenses
Salaries	\$ 1,855,803	\$ 353,744	\$ 253,330	\$ 2,462,877
Benefits	404,566	83,423	53,225	541,214
Professional Fees	95,640	21,333	40,176	157,149
Advertising	87,569	425,509	-	513,078
Food Distribution	23,743,945	-	-	23,743,945
Food Spoilage	605,851	-	-	605,851
Office Expense	66,005	31,472	4,793	102,270
Shipping and Packing	370,127	-	-	370,127
Property Taxes	3,575	69	72	3,716
Computer and Internet	61,416	24,932	71,055	157,403
Truck Fuel and Repairs	345,031	20	-	345,051
Printing	29,123	20,660	430	50,213
Travel and Meetings	104,191	5,735	1,101	111,027
Telephone	15,123	2,646	1,668	19,437
Utilities	87,990	2,442	2,524	92,956
Insurance	49,812	1,070	12,335	63,217
Minor Property and Equipment	44,635	541	591	45,767
Interest	21,593	-	-	21,593
Depreciation	306,307	4,113	4,250	314,670
Repairs and Maintenance	92,676	1,504	1,554	95,734
Miscellaneous	168,126	737	10,289	179,152
	<u>\$ 28,559,104</u>	<u>\$ 979,950</u>	<u>\$ 457,393</u>	<u>\$ 29,996,447</u>

Great Plains Food Bank
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ 2,259,406	\$ (1,552,584)
Adjustments to reconcile change in net assets to net cash from operating activities		
Contributions restricted to endowment	(60,788)	(96,248)
Contributions restricted to Feed the Future Campaign	-	(12,901)
Realized and unrealized gain on investments	(114,479)	267,227
Depreciation and amortization	351,763	314,670
Interest expense attributable to amortization of debt issuance costs	-	9,371
Changes in assets and liabilities		
Accounts receivable	(480)	7,187
Promises to give receivable	(123,440)	-
Inventories	(366,317)	1,629,899
Prepaid expenses	(8,931)	(96,344)
Accounts payable	(81,972)	3,748
Accrued expenses	12,407	33,498
Net Cash from Operating Activities	<u>1,867,169</u>	<u>507,523</u>
Investing Activities		
Purchase of property and equipment	(184,588)	(308,957)
Purchases of investments	(766,230)	(1,115,637)
Purchase of certificates of deposit	-	(1,875,491)
Proceeds from sale of investments	626,074	-
Proceeds from certificates of deposit maturity	1,875,491	-
Net Cash from (used for) Investing Activities	<u>1,550,747</u>	<u>(3,300,085)</u>
Financing Activities		
Principal payments on long-term note payable	-	(328,543)
Contributions restricted to endowment	60,788	96,248
Collections of contributions restricted to Feed the Future Campaign	145,600	196,678
Principal payments on finance leases	(99,205)	(55,922)
Net Cash from (used for) Financing Activities	<u>107,183</u>	<u>(91,539)</u>
Net Change in Cash and Cash Equivalents	3,525,099	(2,884,101)
Cash and Cash Equivalents, Beginning of Year	<u>4,301,454</u>	<u>7,185,555</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,826,553</u>	<u>\$ 4,301,454</u>

Great Plains Food Bank
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 10,026</u>	<u>\$ 12,715</u>
Supplemental Disclosure of Non-cash Investing and Financing Activities		
Right-of-use asset obtained in exchange for lease liability		
Financing lease	<u>\$ 130,636</u>	<u>\$ 130,636</u>

Note 1 - Organization and Significant Accounting Policies

The Great Plains Food Bank (Organization) is a nonprofit organization that operated as a program of Lutheran Social Services from 1983 to 2016, when they emerged as a stand-alone non-profit. The mission of the Organization is to *End Hunger Together* by working with nearly 200 food pantries, soup kitchens and shelters across North Dakota and Clay County, Minnesota. The Organization has facilities in Fargo and Bismarck, North Dakota and operate several charitable feeding programs.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all short-term highly liquid investments with original maturities of three months or less as cash equivalents. Cash and highly liquid financial instruments restricted for other purposes are excluded from the definition.

Certificates of Deposit

The certificates of deposit bear interest and have maturities between 7 months and 18 months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Concentration of Credit Risk

The Organization maintains its cash account in various deposit account, the balances of which are periodically in excess of federally insured limits.

The Organization maintains its cash in bank deposit account which exceeded federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023 and 2022, the Organization had approximately \$7,890,000 and \$6,140,000 in excess of FDIC-insured limits, respectively.

Receivables and Credit Policies

Accounts receivable consist primarily of balances due from partner agencies. The Organization determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2023 and 2022, the balance was determined to be collectible.

Unconditional Promises to Give

Unconditional promises to give are initially recorded and subsequently carried 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.

Inventories

Contributed food is valued at a rate based on a nationally established price consistently applied, which was \$1.92 per pound for the year ended June 30, 2023 and \$1.79 per pound for the year ended June 30, 2022. USDA Commodities that are received by the Organization are received under contracts administrated by various state agencies. Commodities under contract are intended to be transported and utilized by the Organization or transferred to other partner agencies within the serviced region. Only those commodities that are utilized by the Organization are considered federal food distribution expenditures.

Purchased product inventories are stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value.

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 statements of financial position. Net investment gain or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees.

Property and Equipment

Effective June 2022, the Organization increased its capitalization policy, whereas property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. The previous policy capitalized property and equipment additions over \$2,500. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 1 to 31 years, or in the case of leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is 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.

The Organization reviews 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 years ended June 30, 2023 and 2022.

Net Assets

Net assets, public support, and other income, gains, and losses are classified based on the existence or absence of donor-imposed 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 restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor Restrictions – Net assets subject to donor 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. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by the 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 statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable 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 the Organization has incurred expenditures in compliance with specific contract or grant provisions. Program service fees are earned at the point in time the services are delivered. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right or return, are not recognized until the conditions on which they depend have been met.

In-Kind Support

In-kind contributions include food donated for distribution to food pantries, goods and service items donated by companies and individuals, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 14).

In addition to the recorded in-kind support, the Organization receives substantial assistance from volunteers who donate significant amounts of their time in program services and food donation campaigns. Time donated for work that does not require a professional or craftsman cannot be recorded on the financial statements. Volunteer hours (unaudited) which fall into this category were 12,276 and 10,270 for the years ended June 30, 2023 and 2022, respectively. For management purposes, unrecorded volunteer hours were tracked at a value of \$30.69 and \$30.00 per hour for the years ended June 30, 2023 and 2022. The value of volunteer hours (unaudited) donated to the Organization was \$376,800 and \$308,100 for the years ended June 30, 2023 and 2022, respectively. These amounts have not been reflected in the Organization's financial statements.

Functional Allocation of Expenses

The costs of program, fundraising, and administrative and general activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, fundraising, and administrative and general activities 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 included depreciation, salaries and benefits, and various operating expenses, which are allocated based on various inputs including square footage and estimates of time and effort.

Income Taxes

The Organization is organized as a North Dakota nonprofit corporation and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization is not subject to unrelated business income tax and is not planning to file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization 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.

Subsequent Events

The Organization has evaluated subsequent events through February 5, 2024, the date which the financial statements were available to be issued.

Note 2 - Adoption of Accounting Standards Codification Topic 842

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Organization elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

Note 3 - 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:

	2023	2022
Cash and Cash Equivalents	\$ 7,826,553	\$ 4,301,454
Certificates of Deposit	-	1,875,491
Accounts Receivable	215,545	215,065
Unconditional Promises to Give	237,441	259,601
Investments	1,645,247	1,390,612
Total financial assets	9,924,786	8,042,223
Less Amounts Not Available for General Expenditures within the next year:		
Designated by the Board for comprehensive campaign	(231,401)	-
Designated by the Board for endowment	(176,373)	-
Subject to expenditure for a specific purpose	(1,017,587)	(585,182)
Perpetual in nature	(589,244)	(528,456)
	(2,014,605)	(1,113,638)
	\$ 7,910,181	\$ 6,928,585

In addition to the financial assets noted above, the Organization has access to a line of credit with a maximum limit of \$545,000. At June 30, 2023, the full balance was available to be drawn on.

Certificates of deposit that are considered long-term could be made available, if necessary and therefore have been included in the total financial assets that are available within the next year.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and appropriated. Donor-restricted endowment funds are not available for general expenditure.

The Organization has designated specific funds for an endowment and the comprehensive campaign. Although the Organization does not intend to spend from these designated amounts (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of a liquidity management plan, cash in excess of daily requirements is invested in bank accounts and money markets.

Note 4 - Donated Inventory

The following table indicates the donated inventory activity for the years ended June 30, 2023 and 2022:

	<u>Pounds</u>	<u>Dollars</u>
Donated Food Product Inventory, June 30, 2021	1,634,894	\$ 2,776,236
Spoilage and other adjustments	(270,766)	(484,672)
Receipt of donated food	11,897,911	21,297,260
Distributions of donated food	<u>(12,515,453)</u>	<u>(22,402,661)</u>
Donated Food Product Inventory, June 30, 2022	746,586	1,186,163
Spoilage and other adjustments	(182,108)	(349,647)
Receipt of donated food	9,980,574	19,162,703
Distributions of donated food	<u>(9,534,088)</u>	<u>(18,305,449)</u>
Donated Food Product Inventory, June 30, 2023	<u>1,010,964</u>	<u>\$ 1,693,770</u>

Donated inventory was valued at \$1.92 and \$1.79 per pound as of June 30, 2023 and 2022, which is a value that is nationally established. Purchased inventory is valued at cost.

Note 5 - Fair Value of Assets and Liabilities

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability 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 or liability, 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 or liability 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 or liability 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 or liabilities that the Organization can access at the measurement date.

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

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability 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 entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Organization's investment assets are classified within Level 1 because they consist of open-end mutual funds and equity securities with readily determinable fair values based on daily redemption values. The fair value of the unconditional promises to give is determined by management using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets. These are considered to be Level 3 measurements.

The related fair values of these assets at June 30, 2023 are determined as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
June 30, 2023				
Equity securities	\$ 990,618	\$ 990,618	\$ -	\$ -
Mutual funds	636,626	636,626	-	-
Unconditional promises to give	237,441	-	-	237,441
Total assets	\$ 1,864,685	\$ 1,627,244	\$ -	\$ 237,441

The related fair values of these assets at June 30, 2022 are determined as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
June 30, 2022				
Equity securities	\$ 810,817	\$ 810,817	\$ -	\$ -
Mutual funds	562,008	562,008	-	-
Unconditional promises to give	259,601	-	-	259,601
Total assets	\$ 1,632,426	\$ 1,372,825	\$ -	\$ 259,601

Following is a reconciliation of activity for 2023 and 2022 for assets measured at fair value based upon significant unobservable (non-market information).

	Unconditional Promises to Give
Balance, June 30, 2021	\$ 443,378
New promises to give	-
Payments received	(196,678)
Adjustment to fair value	12,901
Balance, June 30, 2022	259,601
New promises to give	150,000
Payments received	(165,629)
Adjustment to fair value	(6,531)
Balance, June 30, 2023	<u>\$ 237,441</u>

Note 6 - Investments

The Organization's investments in equity securities and mutual funds are stated at fair value. Investments in money market funds and certificates of deposit are stated at cost plus accrued interest, if applicable.

Investments

Investments as of June 30, 2023 and 2022 are as follows:

	2023	2022
Money Market Funds	\$ 18,003	\$ 17,787
Equity Securities	990,618	810,817
Mutual Funds	636,626	562,008
Certificates of Deposit	-	1,875,491
	\$ 1,645,247	\$ 3,266,103

Note 7 - Unconditional Promises to Give

Unconditional promises to give are reflected at the present value of estimated future cash flows. The following is a summary of pledges receivable at June 30, 2023 and 2022:

	2023	2022
Current Unconditional Promises to Give	\$ 147,000	\$ 125,345
Amounts Receivable in One to Five Years	90,441	134,256
	\$ 237,441	\$ 259,601

As of June 30, 2023, seven donors accounted for 96% of total promises to give. As of June 30, 2022, nine donors accounted for 96% of total promises to give.

Note 8 - Property and Equipment

Property and equipment consists of the following at June 30, 2023 and 2022:

	2023	2022
Land	\$ 226,215	\$ 226,215
Buildings and Improvements	3,349,686	3,318,543
Furniture and Fixtures	1,047,587	993,519
Automobiles	1,083,934	964,964
Construction in Progress	104,544	5,169
	5,811,966	5,508,410
Less accumulated depreciation	(1,520,005)	(1,179,910)
	\$ 4,291,961	\$ 4,328,500

Note 9 - Line of Credit

The Organization has opened a line of credit with a maximum limit of \$545,000, bearing interest at a variable rate of 0.5% over the Prime Rate with a floor of 5.0% (5.5% at June 30, 2023). The line of credit is secured by assets of the Organization and is due in full on May 7, 2024. As of June 30, 2023 and 2022, no advances have been made from the line of credit.

Note 10 - Leases

The Organization leases several vehicles under long-term, non-cancelable finance lease agreements. The leases expire at various dates through 2029. The Organization included in the determination of the right of use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to all classes of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing financing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Organization elected the practical expedient to not separate lease and non-lease components for all leases.

Total right-of-use assets at June 30, 2023 were as follows:

Statement of Financial Position Classification

Lease Assets	Classification	
Finance right-of-use assets	Property and Equipment	\$ 674,631

The lease costs for the year ended June 30, 2023:

Finance Lease Cost:		
Interest expense		\$ 8,488
Amortization of right-of-use assets		99,553
		\$ 108,041

Total lease expense under noncancelable leases was \$88,100 for the year ended June 30, 2022.

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash Paid for Amounts Included in The Measurement of Lease Liabilities		
Financing cash flows from finance leases		\$ 99,205
Right-Of-Use Assets Obtained in Exchange for Lease Liabilities		
Finance leases		\$ 130,636

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

Weighted-Average Remaining Lease Term:		
Finance leases		4.4 Years
Weighted-Average discount rate:		
Finance leases		3.54%

The future minimum lease payments under the noncancelable financing leases with terms greater than one year are listed below as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Financing</u>
2024	\$ 106,121
2025	93,482
2026	42,360
2027	42,360
2028	42,360
Thereafter	<u>34,262</u>
Total lease payments	360,945
Less interest	<u>(28,396)</u>
Present Value of Lease Liabilities	<u><u>\$ 332,549</u></u>

Future minimum payments determined under the guidance in Topic 840 for operating leases are listed below as of June 30, 2022.

<u>Year Ending June 30,</u>	<u>Capital</u>
2023	\$ 87,978
2024	83,817
2025	61,789
2026	31,684
2027	21,180
Thereafter	<u>33,526</u>
Total lease payments	319,974
Less interest	<u>(18,856)</u>
Present Value of Lease Liabilities	<u><u>\$ 301,118</u></u>

Leased property under capital leases at June 30, 2022, includes:

Vehicles	\$ 550,163
Less accumulated amortization	<u>(269,666)</u>
	<u><u>\$ 280,497</u></u>

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2023	2022
Subject to Expenditure for Specified Purpose		
Accumulated endowment gains	\$ 66,552	\$ 17,092
Subject to the Passage of Time		
Private grants	713,594	465,228
Promises to give	237,441	102,862
	951,035	568,090
Endowments		
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	589,244	528,456
Total assets with donor restrictions	\$ 1,606,831	\$ 1,113,638

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Satisfaction of Purpose Restrictions		
Back pack program	\$ 197,481	\$ 167,359
Feed the Future Campaign	-	197,178
Coronavirus relief campaign	-	594,057
	197,481	958,594
Satisfaction of Passage of Time Restrictions		
Promises to give	170,159	-
Private grants	890,477	653,974
	\$ 1,258,117	\$ 1,612,568

The Organization established a Feed the Future Campaign and identified specific milestones and goals as part of this campaign. The largest of this being to open and operate an additional location in Bismarck, North Dakota. Donations are considered restricted by the donor when they indicate their support of this campaign and released from restriction as the costs are incurred as outlined in the campaign milestones and goals.

Note 12 - Endowments

The endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization’s Board of Directors has interpreted the North Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2023, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2023			
Board-designated endowment funds	\$ 176,373	\$ -	\$ 176,373
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	589,244	589,244
Accumulated investment gains	-	66,552	66,552
	\$ 176,373	\$ 655,796	\$ 832,169

As of June 30, 2022, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2022			
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	528,456	528,456
Accumulated investment gains	-	17,092	17,092
	\$ -	\$ 545,548	\$ 545,548

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support the operations of the Organization.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on an investment allocation with investments in equity that cannot exceed 30% to 70% of the total investment. If the investment allocation falls outside that range the Organization must bring it back into alignment annually. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's policy is to maintain sufficient financial stability for the operations of the Organization. Interest and dividends net of investment expense are to be transferred to the operating undesignated fund quarterly. A maximum of fifty percent of the realized gains are available to the operating undesignated fund, but must first receive board approval. In establishing this policy, the Organization considered the long-term expected return on its board designated reserves.

The Organization uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The expenditures policy shall allow for distributions from the Endowment Fund at an initially established annual range of 3% to 5%. The Organization shall not appropriate for expenditure in any year an amount greater than 7% of the fair market value of the Endowment Fund, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure is made, unless the prudent consideration warrants such an expenditure. During 2023 and 2022, there was no spending from the fund. In establishing this policy, the Board of Directors considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 545,548	\$ 545,548
Investment gain	-	49,460	49,460
Contributions	<u>176,373</u>	<u>60,788</u>	<u>237,161</u>
Endowment Net Assets, End of Year	<u>\$ 176,373</u>	<u>\$ 655,796</u>	<u>\$ 832,169</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ -	\$ 542,202	\$ 542,202
Investment loss	-	(92,902)	(92,902)
Contributions	<u>-</u>	<u>96,248</u>	<u>96,248</u>
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ 545,548</u>	<u>\$ 545,548</u>

Note 13 - Employee Benefits

The Organization provides a defined contribution pension plan. Employer contributions are determined annually based on a percentage of the employee's salary, in the form of a match. From the date of employment, for the first year, the Organization contributes up to 2%, which increases to 7% after the first full year of employment. Upon the increase, the 5% is an automatic contribution and no match is required beyond the initial 2%. Retirement expense for the years ended June 30, 2023 and 2022 was \$135,495 and \$119,613, respectively.

Note 14 - In-Kind Contributions

For the years ended June 30, 2023 and 2022, in-kind contributions recognized within the statements of activities included the following:

<u>Non-Financial Contributions Category</u>	<u>Type of Contributions for Beneficiaries</u>	<u>Valuation</u>	<u>Monetized or Utilized</u>	<u>2023</u>	<u>2022</u>
Donated Food	General food items to be distributed to local food pantries	Standard rate per pound, based on nationally determined amounts	Utilized	\$ 19,162,703	\$ 21,297,260
Marketing/Advertising	Professional services such as media production and construction services	Standard industry pricing for similar services	Utilized	4,107	88,819
Food/General Warehouse Items	Warehouse items such as food products, bags and gift cards	Prices of identical or similar products	Utilized	47,338	26,612
Professional Services/Donations	Professional services or donations such as minor furniture and equipment	Standard industry pricing for similar services or assets	Utilized	13,272	26,242
				<u>\$ 19,227,420</u>	<u>\$ 21,438,933</u>