

FEEDING PENNSYLVANIA

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY

FEEDING PENNSYLVANIA

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MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Feeding Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding Pennsylvania (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement to the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MAILING ADDRESS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feeding Pennsylvania as of June 30, 2020 and 2019, 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 17, 2021

FEEDING PENNSYLVANIA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 1,822,962	\$ 873,858
Receivables		
Donations receivable	15,509	54,549
Healthy pantry initiative	92,702	104,088
MARC receivables	3,324,204	267,212
Other receivables	10,000	15,191
Inventory - MARC	14,851	124,066
Prepaid expenses	13,801	30,051
	<u>5,294,029</u>	<u>1,469,015</u>
Total current assets		
Total assets	<u>\$ 5,294,029</u>	<u>\$ 1,469,015</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable		
MARC payables	\$ 2,474,225	\$ 268,204
Other payables	45,971	8,547
Due to affiliated entity	-	1,414
Accrued liabilities		
Payroll and payroll taxes	72,526	46,856
Other expenses	-	65,668
Grants payable	-	65,505
Refundable advance	20,230	-
	<u>2,612,952</u>	<u>456,194</u>
Total current liabilities		
Other liabilities		
MARC member deposits	146,500	220,000
	<u>146,500</u>	<u>220,000</u>
Total other liabilities		
Total liabilities	<u>2,759,452</u>	<u>676,194</u>
Net assets		
Without donor restrictions	2,472,372	731,824
With donor restrictions	62,205	60,997
	<u>2,534,577</u>	<u>792,821</u>
Total net assets		
Total liabilities and net assets	<u>\$ 5,294,029</u>	<u>\$ 1,469,015</u>

The accompanying notes are an integral part of these financial statements.

FEEDING PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Produce sales - MARC	\$ 16,753,882	\$ -	\$ 16,753,882
Less: cost of produce sales	(14,897,646)	-	(14,897,646)
Net produce sales revenue	1,856,236	-	1,856,236
Membership dues	132,487	-	132,487
Grants and donations	1,228,672	6,500	1,235,172
Health pantry initiative	342,810	-	342,810
Miscellaneous revenue	311	-	311
Interest income	462	-	462
Net assets released from restrictions	5,292	(5,292)	-
Total support and revenue	3,566,270	1,208	3,567,478
Expenses			
Salaries and employee benefits	563,316	-	563,316
Payroll taxes	39,307	-	39,307
Professional development	1,244	-	1,244
Occupancy	18,150	-	18,150
Insurance	4,752	-	4,752
Advertising	30,667	-	30,667
Meals and entertainment	1,124	-	1,124
Meetings	11,681	-	11,681
Travel	21,963	-	21,963
Professional fees	20,548	-	20,548
Other fees	13,272	-	13,272
Office expense	52,348	-	52,348
Subcontractor expenses	139,561	-	139,561
Dues	250	-	250
Grants	907,539	-	907,539
Total expenses	1,825,722	-	1,825,722
Changes in net assets	1,740,548	1,208	1,741,756
Net assets, beginning	731,824	60,997	792,821
Net assets, ending	\$ 2,472,372	\$ 62,205	\$ 2,534,577

The accompanying notes are an integral part of these financial statements.

FEEDING PENNSYLVANIA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Produce sales - MARC	\$ 8,398,782	\$ -	\$ 8,398,782
Less: cost of produce sales	(7,722,993)	-	(7,722,993)
Net produce sales revenue	675,789	-	675,789
Membership dues	129,800	-	129,800
Event sponsorship	29,274	-	29,274
Grants and donations	337,547	-	337,547
Health Pantry initiative	134,852	-	134,852
Miscellaneous income	10,183	-	10,183
Net assets released from restrictions	126,833	(126,833)	-
Total support and revenue	1,444,278	(126,833)	1,317,445
Expenses			
Salaries and employee benefits	420,974	-	420,974
Payroll taxes	30,275	-	30,275
Professional development	2,740	-	2,740
Event expenses	65,587	-	65,587
Occupancy	15,900	-	15,900
Insurance	4,916	-	4,916
Advertising	7,303	-	7,303
Meals and entertainment	2,056	-	2,056
Meetings	4,448	-	4,448
Travel	17,270	-	17,270
Professional fees	89,527	-	89,527
Other fees	2,578	-	2,578
Amortization	2,885	-	2,885
Office expense	11,424	-	11,424
Subcontractor expenses	56,583	-	56,583
Dues	390	-	390
Grants	179,822	-	179,822
Total expenses	914,678	-	914,678
Changes in net assets	529,600	(126,833)	402,767
Net assets (deficit), beginning	202,224	187,830	390,054
Net assets, ending	\$ 731,824	\$ 60,997	\$ 792,821

The accompanying notes are an integral part of these financial statements.

FEEDING PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services					Management and General	Fundraising	Total
	MARC	Fill A Glass With Hope	Healthy Pantry Initiative	Advocacy	Total			
Expenses								
Salaries and employee benefits	\$ 287,179	\$ 32,236	\$ 107,196	\$ 32,236	\$ 458,847	\$ 88,332	\$ 16,137	\$ 563,316
Payroll taxes	20,929	2,269	7,544	2,269	33,011	5,160	1,136	39,307
Professional development	-	-	324	-	324	920	-	1,244
Occupancy	8,250	-	-	-	8,250	9,900	-	18,150
Insurance	-	-	-	-	-	4,752	-	4,752
Advertising	26	1,465	27,152	2,024	30,667	-	-	30,667
Meals and entertainment	647	159	159	159	1,124	-	-	1,124
Meetings	1,729	-	1,666	423	3,818	7,728	135	11,681
Travel	8,258	-	1,433	3,114	12,805	8,445	713	21,963
Professional fees	2,729	-	15,700	-	18,429	2,119	-	20,548
Other fees	1,015	-	-	600	1,615	8,933	2,724	13,272
Office expense	9,687	185	36,272	185	46,329	5,947	72	52,348
Subcontractor expenses	-	-	139,561	-	139,561	-	-	139,561
Dues	-	-	-	-	-	250	-	250
Grants	-	64,611	-	842,928	907,539	-	-	907,539
Total expenses by functional category before costs of produce sales	340,449	100,925	337,007	883,938	1,662,319	142,486	20,917	1,825,722
Costs of produce sales	14,897,646	-	-	-	14,897,646	-	-	14,897,646
Total expenses	<u>\$ 15,238,095</u>	<u>\$ 100,925</u>	<u>\$ 337,007</u>	<u>\$ 883,938</u>	<u>\$ 16,559,965</u>	<u>\$ 142,486</u>	<u>\$ 20,917</u>	<u>\$ 16,723,368</u>

The accompanying notes are an integral part of these financial statements.

FEEDING PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					Management and General	Fundraising	Total
	MARC	Fill A Glass With Hope	Healthy Pantry Initiative	Advocacy	Total			
Expenses								
Salaries and employee benefits	\$ 206,559	\$ 28,043	\$ 67,272	\$ 28,043	\$ 329,917	\$ 75,609	\$ 15,448	\$ 420,974
Payroll taxes	15,247	2,125	5,099	2,125	24,596	4,509	1,170	30,275
Professional development	1,124	315	755	315	2,509	58	173	2,740
Event expense	-	-	-	-	-	-	65,587	65,587
Occupancy	6,000	-	-	-	6,000	9,900	-	15,900
Insurance	-	-	-	-	-	4,916	-	4,916
Advertising	25	700	2,894	3,684	7,303	-	-	7,303
Meals and entertainment	1,470	84	84	84	1,722	-	334	2,056
Meetings	1,854	-	133	1,043	3,030	1,418	-	4,448
Travel	9,371	1,753	1,753	1,753	14,630	2,580	60	17,270
Professional fees	1,292	-	30,000	44,000	75,292	14,235	-	89,527
Other fees	443	-	-	1,658	2,101	477	-	2,578
Amortization	577	577	577	577	2,308	-	577	2,885
Office expense	5,259	132	4,934	232	10,557	794	73	11,424
Subcontractor expenses	-	-	56,583	-	56,583	-	-	56,583
Dues	-	-	-	390	390	-	-	390
Grants	-	72,904	-	106,918	179,822	-	-	179,822
Total expenses by functional category before costs of produce sales	249,221	106,633	170,084	190,822	716,760	114,496	83,422	914,678
Costs of produce sales	7,722,993	-	-	-	7,722,993	-	-	7,722,993
Total expenses	<u>\$ 7,972,214</u>	<u>\$ 106,633</u>	<u>\$ 170,084</u>	<u>\$ 190,822</u>	<u>\$ 8,439,753</u>	<u>\$ 114,496</u>	<u>\$ 83,422</u>	<u>\$ 8,637,671</u>

The accompanying notes are an integral part of these financial statements.

FEEDING PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ 1,741,756	\$ 402,767
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Amortization	-	2,885
(Increase) decrease in		
Sponsorship pledges	-	8,500
Donations receivable	39,040	-
Health pantry initiative	11,386	(104,088)
MARC receivables	(3,056,992)	49,181
Other receivables	5,191	(1,681)
Inventory - MARC	109,215	(87,359)
Prepaid expenses	16,250	4,974
Increase (decrease) in		
MARC payables	2,206,021	(16,817)
Other payables	37,424	8,115
Due to affiliated entity	(1,414)	1,414
Accrued liabilities	(39,998)	73,371
Grants payable	(65,505)	62,240
Refundable advance	20,230	-
	<u>1,022,604</u>	<u>403,502</u>
Net cash provided by operating activities		
Cash flows provided by financing activities		
Net deposits from (repayments to) MARC members	<u>(73,500)</u>	<u>12,000</u>
Net cash provided by (used in) financing activities	<u>(73,500)</u>	<u>12,000</u>
Net increase in cash	949,104	415,502
Cash - beginning	<u>873,858</u>	<u>458,356</u>
Cash - ending	<u><u>\$ 1,822,962</u></u>	<u><u>\$ 873,858</u></u>

The accompanying notes are an integral part of these financial statements.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Feeding Pennsylvania is a nonprofit Pennsylvania corporation that advocates for hunger relief and raises awareness of the hunger needs of the community through a coalition of nine Feeding America affiliated member food banks located throughout the state of Pennsylvania. Feeding Pennsylvania promotes and aids its members in securing food and other resources to reduce hunger and food insecurity in their communities and across Pennsylvania, and provides a shared voice on the issues of hunger and food access within the Commonwealth of Pennsylvania.

Feeding Pennsylvania accomplishes its mission by providing the following program services:

Mid-Atlantic Regional Cooperative (MARC) – Member led produce cooperative to source, mix, and distribute a variety of high quality, low cost produce to member food banks serving families in need. The MARC is located at the Philadelphia Wholesale Produce Market, began operations in 2018, and now serves twenty-seven participating food banks from Maine to Virginia. During 2020, Feeding Pennsylvania was awarded a grant from the United States Department of Agriculture (USDA) to administer a portion of the Coronavirus Farm Assistance Program (CFAP) through the MARC. Through this program, the MARC produces and distributes fresh produce boxes to food banks across the Mid-Atlantic to support food-insecure individuals adversely affected by COVID-19.

Fill A Glass With Hope – A partnership formed among Feeding Pennsylvania, the Pennsylvania Dairymen's Association, American Dairy Association East, the Pennsylvania Dairy Promotion Program, agriculture partners, and business leaders that provides fresh milk to Pennsylvania families in need through Feeding Pennsylvania's network of food banks.

Healthy Pantry Initiative – Feeding Pennsylvania works with member food banks to increase healthy food and beverage options available in food pantries. In addition, nutrition educators will work at the pantries to encourage consumption of those foods through environmental changes, as well as direct nutrition education, such as healthy food tastings, demonstrations, recipes, classes, etc.

Advocacy – Providing a strong collective voice for hunger relief across the Commonwealth of Pennsylvania by advocating for federal and state policies, programs, and initiatives to improve food access and relieve hunger in Pennsylvania and across the nation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

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FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Financial Statement Presentation

Feeding Pennsylvania's financial statement presentation includes the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities* and the provisions of Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires Feeding Pennsylvania to report information regarding its financial position and activities according to two classes of net assets that are based on the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – Net assets are available for use in general operations and not subject to donor imposed restrictions. The Board of Directors may, at its discretion, designate funds for specific purposes. No amounts were designated by the Board of Directors during 2020 and 2019.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Feeding Pennsylvania considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2020 and 2019.

Included in Feeding Pennsylvania's cash balance at June 30, 2020 and 2019, are funds totaling \$146,500 and \$220,000, respectively, restricted for MARC member deposits.

Donations Receivable

Donations receivable represent unconditional promises to give related to Feeding Pennsylvania without any donor restrictions. Promises to give are stated at their outstanding balance and all amounts are considered fully collectible.

Healthy Pantry Initiative Receivables

Healthy Pantry Initiative receivables represent amounts owed to Feeding Pennsylvania from the Pennsylvania Department of Health for services performed under the Healthy Pantry Initiative grant.

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FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

MARC Receivables

MARC receivables represent amounts due from member food banks for produce orders. Amounts are recorded at the invoiced amount.

Other Receivables

Other receivables represent reimbursements owed to Feeding Pennsylvania from member organizations. All amounts are expected to be collected within one year and are recorded at net realizable value.

Inventory - MARC

Inventory consists of fresh produce either purchased by, or donated to, Feeding Pennsylvania. Purchased produce is valued at the lower of cost (first-in, first-out) or net realizable value. Donated produce is valued based upon actual inventory weight in pounds, multiplied by a calculated "per pound" value. The "per pound" value is determined annually and is derived from published prices obtained from Feeding America and its Product Valuation Methodology Survey report. The "per pound" value used to determine donated produce, and related cost of produce sales, was \$0.78 in 2020 and 2019. Donated produce totaled zero and \$73,734 at June 30, 2020 and 2019, respectively.

Pounds of donated produce invoiced to members totaled 7,904,010 in 2020 and 4,687,186 in 2019. Produce sales of donated inventory totaled \$6,091,394 and \$3,656,005 for the years ended June 30, 2020 and 2019, respectively. Cost of produce sales of donated inventory totaled \$6,165,128 and \$3,582,271 for the years ended June 30, 2020 and 2019, respectively.

MARC Member Deposits

Members of the MARC that engage in purchasing of fresh produce are required to provide working capital deposits to ensure that cash flow needs of the MARC are met and that the program fosters excellent supplier and donor relationships. This deposit is determined by the Feeding Pennsylvania Board of Directors and is fully refundable upon termination of their participation in the MARC.

Revenue Recognition

Exchange Transactions

Revenue is recognized as an exchange transaction when the resource provider is receiving commensurate value from Feeding Pennsylvania in exchange for the resources provided. This may include membership dues and certain program revenue. Revenue is recognized when it is earned. If resources are provided in advance of the period in which services are rendered, it is recorded as deferred revenue in the statements of financial position.

Contributions

Revenue is considered a contribution to Feeding Pennsylvania if commensurate value has not been exchanged.

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FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Conditional gifts occur when a barrier has been established by the donor and the donor has a right to be released from the commitment to Feeding Pennsylvania. Conditional gifts are not recognized as revenue until the barrier has been overcome and the donor's right of release has been satisfied. Conditional gifts that have been received are reported as refundable advances until the barrier has been overcome.

Unconditional gifts occur when no barrier to recognition exists or the gift does not include a donor release. These unconditional gifts may continue to carry restrictions on their purpose or application. As such, unconditional gifts may include promises to give and may be included in net assets with donor restrictions or net assets without donor restrictions.

All unconditional contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or that are restricted by the donor for specific purposes, are reported as net assets with donor restrictions unless the restriction expired in the same accounting period. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions that are satisfied in the same fiscal year are reported as net assets without donor restrictions.

Government Grants and Contracts

Revenue from government contracts and grant agreements are included in produce sales and may be recognized as exchange transactions or may be recognized as contribution revenue based upon the underlying terms of the grant agreement. Fee-for-service contracts are evaluated to determine if the resource provider is contracting for specific services and receiving commensurate value (exchange transaction) or if the benefit is received by the general public and considered incidental to the resource provider (contribution). Cost-reimbursement grants are evaluated under the same premise.

As part of the MARC, Feeding Pennsylvania recognized revenue of \$3,766,392 from the USDA CFAP program that is included in produce sales on the statement of activities for the year ended June 30, 2020.

Functional Expense

The costs of providing the various programs and supporting activities of Feeding Pennsylvania have been summarized on a natural classification basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting activities. The expenses that are allocated include the following:

<u>Expenses</u>	<u>Allocation Method</u>
Salaries and employee benefits	Time and effort
Professional development	Time and effort
Meals and entertainment	Time and effort
Amortization	Management estimate
Office expenses	Benefits received

(continued)

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

The remaining costs of providing program and supporting services are directly charged.

Income Tax Status

Feeding Pennsylvania is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to Section 509(a) of the Internal Revenue Code. In addition, Feeding Pennsylvania was organized under the Pennsylvania Nonprofit Corporation law and is exempt from state income taxes.

Feeding Pennsylvania adheres to the provisions of ASC 740, *Income Taxes*. ASC 740 establishes rules for recognizing and measuring tax positions taken in an income tax return, including disclosures of uncertain tax positions (UTPs). ASC 740 mandates that companies evaluate all material income tax positions for periods that remain open under applicable statutes of limitation, as well as positions expected to be taken in future returns. The UTP rules then impose a recognition threshold on each tax position.

An organization can recognize an income tax benefit only if the position has a “more likely than not” (i.e., more than 50 percent) chance of being sustained on the technical merits. For the years ended June 30, 2020 and 2019, Feeding Pennsylvania has taken no material tax positions on its applicable tax filings that do not meet the more likely than not threshold. As a result, no amount for uncertain tax positions has been included in the financial statements.

Feeding Pennsylvania’s federal exempt organization business income tax returns are no longer subject to examination by the appropriate taxing authorities for years prior to 2017.

Recently Adopted Accounting Pronouncement

During 2020, Feeding Pennsylvania adopted FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction, and how an entity determines whether a resource provider is participating in an exchange transaction. The amendments also require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets is present. The changes became effective for Feeding Pennsylvania on July 1, 2019, and were applied on a modified prospective basis. Management has determined that the impact of these changes on Feeding Pennsylvania’s financial statements was minimal and has been incorporated in the current year.

During 2020, Feeding Pennsylvania adopted FASB ASU 2016-18, *Restricted Cash (Topic 230)*. The changes associated with this ASU include the requirement for amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The changes became effective for Feeding Pennsylvania on July 1, 2019, and were applied retrospectively. There was no impact on Feeding Pennsylvania’s financial statements as a result of adopting this standard.

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FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement, and the related subsequent pronouncements, requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The changes became effective for Feeding Pennsylvania on July 1, 2020. Management has not determined the impact of these changes on Feeding Pennsylvania's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The changes associated with this ASU include the requirement for lessees to recognize the underlying asset and liabilities associated with all operation leases with terms greater than 12 months. The changes become effective for Feeding Pennsylvania on July 1, 2022. Management has not determined the impact of these changes on Feeding Pennsylvania's financial statements.

Subsequent Events

Feeding Pennsylvania has evaluated subsequent events through March 17, 2021, the date the financial statements were available to be issued. See Note 9 for additional information.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

For purposes of analyzing resources available to meet general expenditures within one year of the statement of financial position date, Feeding Pennsylvania considers all resources held by Feeding Pennsylvania, however, certain resources are limited to use by the MARC.

The financial assets as of June 30, 2020 and 2019, available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,822,962	\$ 873,858
Less: Cash restricted for MARC member deposits	(146,500)	(220,000)
Receivables		
Donations receivable	15,509	54,549
Healthy Pantry Initiative receivables	92,702	104,088
MARC receivables	3,324,204	267,212
Other receivables	10,000	15,191
	5,118,877	1,094,898
Less: Net assets with donor restrictions (Note 4)	(62,205)	(60,997)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,056,672</u>	<u>\$ 1,033,901</u>

(continued)

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Feeding Pennsylvania manages its liquidity and cash reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Feeding Pennsylvania forecasts its future cash flows and monitors its liquidity and cash balances on a quarterly basis.

4. NET ASSETS WITH DONOR RESTRICTIONS

Produce Enterprise Strategy Grant Funds

In May 2015, Feeding Pennsylvania adopted a Produce Enterprise Strategy (PES) and recorded a total of \$122,500 of PES grant pledges from affiliate members. Of this amount, Central Pennsylvania Food Bank provided a funded grant of \$100,000 that allowed for the hiring of a PES Coordinator to work with Pennsylvania's Regional Produce Sourcer to maximize shared produce loads and to facilitate the donation of produce to Feeding Pennsylvania's affiliate members. There were no amounts due from affiliate members and reported as a receivable on the statements of financial position as of June 30, 2020 and 2019.

Net assets with donor restrictions for the PES Grant total \$60,997 at June 30, 2020 and 2019, respectively.

MARC

Feeding Pennsylvania received several grants totaling \$140,000 and \$120,000, respectively, from Feeding America to establish and support the MARC in 2020 and 2019. Feeding Pennsylvania incurred expenses totaling \$140,000 and \$165,833, respectively, related to the formation of the MARC task force, hiring of consultants, and other related expenses that were applied to these grants.

Net assets with donor restrictions for MARC total zero at June 30, 2020 and 2019, respectively.

Advocacy

In 2020, Feeding Pennsylvania received a grant totaling \$6,500 from the Food Research and Action Center to support key bills such as the No Shame at School Act and Care for Kids Act of 2019 focused on unpaid school meals fees and increasing access to school meals.

Net assets with donor restrictions for Advocacy total \$1,208 and zero at June 30, 2020 and 2019, respectively.

5. GRANTS

Feeding Pennsylvania made grants to its member organizations during the years ended June 30, 2020 and 2019, totaling \$907,539 and \$179,822 respectively. Grants approved but not disbursed at June 30, 2020 and 2019, totaled zero and \$65,505, respectively.

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FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

6. RELATED PARTY TRANSACTIONS

The Executive Director of the Central Pennsylvania Food Bank serves as a Board Member of Feeding Pennsylvania. Feeding Pennsylvania utilized office space and personnel of the Central Pennsylvania Food Bank to assist in carrying out its mission and to perform certain administrative functions, including accounting and payroll services in 2019.

The Central Pennsylvania Food Bank also paid for certain operating expenses on behalf of Feeding Pennsylvania, which were 100% reimbursable back to the Central Pennsylvania Food Bank. Amounts due to the Central Pennsylvania Food Bank totaled zero and \$1,414 at June 30, 2020 and 2019.

Feeding Pennsylvania leased its facilities under an operating lease with the Central Pennsylvania Food Bank through June 30, 2020. Rental payments amounted to \$9,900 during the years ended June 30, 2020 and 2019.

The Central Pennsylvania Food Bank has contributed funds and provided services related to the PES Grant. See Note 4 for additional information.

7. CONCENTRATIONS OF RISK

Credit Risk

Feeding Pennsylvania maintains cash accounts with a financial institution. Deposits at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable FDIC limits. At times, deposits may be in excess of the FDIC insurance limits; however, Feeding Pennsylvania has not experienced losses in any of these accounts.

Concentrations

For the years ended June 30, 2020 and 2019, Feeding Pennsylvania received 10% and 25% of its grants and donations from Feeding America, 54% and 28% from the Commonwealth of Pennsylvania, and 16% and zero percent from Pennsylvania Skill Games. At June 30, 2020 and 2019, receivables from the Commonwealth of Pennsylvania accounted for 100% of the Healthy Pantry Initiative receivable balance.

8. RISKS AND UNCERTAINTIES

The COVID-19 pandemic and resulting regulatory and operating restrictions have caused disruption of many businesses which is resulting in significant economic uncertainties. The extent of the impact of COVID-19 on Feeding Pennsylvania's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its effect on Feeding Pennsylvania's donors, members, customers, and vendors. All of these factors are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact Feeding Pennsylvania's financial condition or results of operations is unknown.

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FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

9. SUBSEQUENT EVENT

In July 2020, Feeding Pennsylvania became the sole administrator for the Pennsylvania Agricultural Surplus System (PASS) Act on behalf of the Pennsylvania Department of Agriculture (PDA). The PASS program was created for the acquisition and distribution of local food products to charitable food organizations in existence within the State of Pennsylvania. Under PASS, Feeding Pennsylvania received \$1,500,000 for general PASS funding as well as an additional \$10,000,000 related to CARES Act funding, including \$1,000,000 for fresh produce, \$1,000,000 for fresh eggs, \$2,000,000 for protein, \$1,000,000 for fluid milk, and \$5,000,000 for dairy for the year ended June 30, 2021.



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