

FEEDING PENNSYLVANIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INFORMATION ON FEDERAL AWARDS

YEARS ENDED JUNE 30, 2021 AND 2020
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY
CPAs & Business Advisors

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, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

McKonly & Asbury • 415 Fallowfield Road • Camp Hill, Pennsylvania 17011

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, 2021 and 2020, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2022, on our consideration of Feeding Pennsylvania'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 Feeding Pennsylvania'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 Feeding Pennsylvania's internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 1, 2022

FEEDING PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
Current assets		
Cash	\$ 7,908,911	\$ 1,822,962
Receivables		
Grants receivable	95,756	-
Donations receivable	8,668	15,509
Healthy pantry initiative receivables	109,986	92,702
MARC receivables	2,556,704	3,324,204
Other receivables	-	10,000
Inventory - MARC	82,872	14,851
Prepaid expenses	24,042	13,801
Total current assets	<u>10,786,939</u>	<u>5,294,029</u>
Non-current assets		
Intangible assets (net of accumulated amortization of \$9,272 and \$8,655)	<u>31,181</u>	<u>-</u>
Total non-current assets	<u>31,181</u>	<u>-</u>
Total assets	<u><u>\$ 10,818,120</u></u>	<u><u>\$ 5,294,029</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable		
MARC payables	\$ 2,938,067	\$ 2,474,225
Other payables	142,209	45,971
Accrued liabilities		
Payroll and payroll taxes	82,489	72,526
Other expenses	198,028	-
Deferred revenue - MARC	20,000	-
Refundable advances	237,288	20,230
Total current liabilities	<u>3,618,081</u>	<u>2,612,952</u>
Other liabilities		
MARC member deposits	<u>158,500</u>	<u>146,500</u>
Total other liabilities	<u>158,500</u>	<u>146,500</u>
Total liabilities	<u>3,776,581</u>	<u>2,759,452</u>
Net assets		
Without donor restrictions	5,045,084	2,472,372
With donor restrictions	1,996,455	62,205
Total net assets	<u>7,041,539</u>	<u>2,534,577</u>
Total liabilities and net assets	<u><u>\$ 10,818,120</u></u>	<u><u>\$ 5,294,029</u></u>

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

FEEDING PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Produce sales - MARC	\$ 17,174,969	\$ -	\$ 17,174,969	\$ 4,453,852	\$ -	\$ 4,453,852
Produce contributions	4,579,238	-	4,579,238	6,091,394	-	6,091,394
Freight, logistics, and shared maintenance	2,677,049	-	2,677,049	2,442,244	-	2,442,244
Coronavirus Food Assistance Program	7,008,358	-	7,008,358	3,766,392	-	3,766,392
Healthy pantry initiative	335,345	-	335,345	342,810	-	342,810
PASS program	11,056,857	-	11,056,857	-	-	-
SNAP education	184,384	-	184,384	-	-	-
Other grants and donations	2,278,535	1,935,458	4,213,993	1,228,672	6,500	1,235,172
Membership dues	130,150	-	130,150	132,487	-	132,487
Event sponsorship	71,495	-	71,495	-	-	-
Miscellaneous revenue	2,287	-	2,287	311	-	311
Interest income	-	-	-	462	-	462
Net assets released from restrictions	1,208	(1,208)	-	5,292	(5,292)	-
Total support and revenue	45,499,875	1,934,250	47,434,125	18,463,916	1,208	18,465,124
Expenses						
Program services	42,770,394	-	42,770,394	16,559,965	-	16,559,965
Management and general	127,670	-	127,670	142,486	-	142,486
Fundraising	29,099	-	29,099	20,917	-	20,917
Total expenses	42,927,163	-	42,927,163	16,723,368	-	16,723,368
Changes in net assets	2,572,712	1,934,250	4,506,962	1,740,548	1,208	1,741,756
Net assets, beginning	2,472,372	62,205	2,534,577	731,824	60,997	792,821
Net assets, ending	\$ 5,045,084	\$ 1,996,455	\$ 7,041,539	\$ 2,472,372	\$ 62,205	\$ 2,534,577

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

FEEDING PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services						Management and General	Fundraising	Total
	MARC	Fill A Glass With Hope	Healthy Pantry Initiative	Agricultural Partnerships	Advocacy	Total			
Expenses									
Salaries and employee benefits	\$ 294,881	\$ 1,373	\$ 75,536	\$ 229,049	\$ 82,372	\$ 683,211	\$ 80,794	\$ 19,220	\$ 783,225
Payroll taxes	22,630	96	4,159	15,949	5,749	48,583	5,057	1,341	54,981
Produce costs	15,187,935	-	-	-	-	15,187,935	-	-	15,187,935
Donated produce distributions	4,564,538	-	-	-	-	4,564,538	-	-	4,564,538
Freight, logistics, and shared maintenance costs	5,840,107	-	-	-	-	5,840,107	-	-	5,840,107
Professional development	823	5	299	556	292	1,975	122	68	2,165
Occupancy	14,500	32	3,830	12,069	1,951	32,382	813	455	33,650
Insurance	-	-	-	2,222	-	2,222	1,948	-	4,170
Advertising	1,331	-	661	2,866	7,120	11,978	142	4,666	16,786
Meals and entertainment	74	1	-	165	53	293	22	12	327
Meetings	-	-	10	687	49	746	359	-	1,105
Travel	800	-	45	2,284	3,350	6,479	1,618	120	8,217
Advocacy	-	-	-	-	4,170	4,170	-	-	4,170
Professional fees	33,540	-	436	85,028	-	119,004	32,787	-	151,791
Other fees	1,478	-	-	-	-	1,478	250	2,437	4,165
Amortization	-	-	-	329	-	329	288	-	617
Office expense	29,374	37	1,610	6,281	2,233	39,535	3,211	521	43,267
Subcontractor expenses	-	-	324,998	29,998	-	354,996	-	-	354,996
Dues	-	-	-	712	-	712	259	259	1,230
Grants	4,768,672	27,111	92,165	10,668,664	313,109	15,869,721	-	-	15,869,721
Total expenses	<u>\$ 30,760,683</u>	<u>\$ 28,655</u>	<u>\$ 503,749</u>	<u>\$ 11,056,859</u>	<u>\$ 420,448</u>	<u>\$ 42,770,394</u>	<u>\$ 127,670</u>	<u>\$ 29,099</u>	<u>\$ 42,927,163</u>

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
Produce costs	3,572,718	-	-	-	3,572,718	-	-	3,572,718
Donated produce distributions	6,165,128	-	-	-	6,165,128	-	-	6,165,128
Freight, logistics, and shared maintenance costs	2,593,432	-	-	-	2,593,432	-	-	2,593,432
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	2,566,368	64,611	-	842,928	3,473,907	-	-	3,473,907
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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets	\$ 4,506,962	\$ 1,741,756
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Amortization	617	-
(Increase) decrease in		
Grants receivable	(95,756)	-
Donations receivable	6,841	39,040
Healthy pantry initiative receivables	(17,284)	11,386
MARC receivables	767,500	(3,056,992)
Other receivables	10,000	5,191
Inventory - MARC	(68,021)	109,215
Prepaid expenses	(10,241)	16,250
Increase (decrease) in		
MARC payables	463,842	2,206,021
Other payables	96,238	37,424
Due to affiliated entity	-	(1,414)
Accrued liabilities	207,991	(39,998)
Grants payable	-	(65,505)
Deferred revenue - MARC	20,000	-
Refundable advances	217,058	20,230
Net cash provided by operating activities	<u>6,105,747</u>	<u>1,022,604</u>
Cash flows from investing activities		
Purchase of intangible assets	<u>(31,798)</u>	<u>-</u>
Net cash used in investing activities	<u>(31,798)</u>	<u>-</u>
Cash flows from financing activities		
Net deposits from (repayments to) MARC members	<u>12,000</u>	<u>(73,500)</u>
Net cash provided by (used in) financing activities	<u>12,000</u>	<u>(73,500)</u>
Net increase in cash	6,085,949	949,104
Cash - beginning	<u>1,822,962</u>	<u>873,858</u>
Cash - ending	<u><u>\$ 7,908,911</u></u>	<u><u>\$ 1,822,962</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 2021 and 2020, Feeding Pennsylvania was awarded a grant from the United States Department of Agriculture (USDA) to administer a portion of the Coronavirus Food 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. During 2021, Feeding Pennsylvania entered into a contract with the Pennsylvania State University to provide Supplemental Nutrition Assistance Program Education (SNAP-Ed) throughout the state under this initiative.

Agricultural Partnerships – In July 2020, Feeding Pennsylvania became the sole administrator for the Pennsylvania Agricultural Surplus System (PASS) Program on behalf of the Pennsylvania Department of Agriculture (PDA). Under PASS, \$1,500,000 was awarded from PDA to acquire and distribute local food products to charitable food organizations in existence within the State of Pennsylvania. During 2021, Feeding Pennsylvania received an additional \$9,556,857 for administration of the PASS program authorized through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

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.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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.

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 2021 and 2020.

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. See Note 4.

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, 2021 and 2020.

Included in Feeding Pennsylvania's cash balance at June 30, 2021 and 2020, are funds totaling \$158,500 and \$146,500, respectively, restricted for MARC member deposits.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Grants Receivable

Grants receivable represent amounts owed to Feeding Pennsylvania for services provided under various government grants and contracts.

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.

MARC Receivables

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

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 \$0.70 and \$0.78 in 2021 and 2020, respectively. Donated produce totaled \$14,700 and zero at June 30, 2021 and 2020, respectively.

Pounds of donated produce invoiced to members totaled 6,520,768 in 2021 and 7,904,010 in 2020. Produce sales of donated inventory totaled \$4,579,238 and \$6,091,394 for the years ended June 30, 2021 and 2020, respectively. Cost of produce sales of donated inventory totaled \$4,564,538 and \$6,165,128 for the years ended June 30, 2021 and 2020, respectively.

Intangible Assets

Intangible assets of Feeding Pennsylvania consist of software and web designs. The software and web designs are being amortized using the straight-line method over its statutory life of 3 years. Amortization expense totaled \$617 and zero for the years ended June 30, 2021 and 2020, 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.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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 produce sales – MARC; freight, logistics, and shared maintenance; and membership dues. Produce sales – MARC and freight, logistics, and shared maintenance is recognized as revenue at the point in time in which Feeding Pennsylvania has fulfilled its performance obligation concurrent upon distribution and delivery of the product to participating food banks. Feeding Pennsylvania provides an invoice to participating food banks at the time possession is taken by the participating food bank. Membership dues are recognized as revenue over an annual period beginning July 1 of each year as services are provided. 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. In specific cases, returns are accepted, however, Feeding Pennsylvania has not experienced any significant amounts of such returns. Economic factors affecting nature, timing, and uncertainty of revenue and cash flows include the overall health of the economy and food availability.

Contributions

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

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.

Produce Contributions

Feeding Pennsylvania reports produce contributions as unrestricted support when received.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Government Grants and Contracts

Revenue from government contracts, which are generally considered nonreciprocal transactions restricted for certain purposes without an exchange of commensurate value, is recognized as revenue when eligible qualifying expenditures are incurred and conditions under the agreements are met. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. Any disallowed costs due to oversight agency audits are recognized in the period the funds are repaid after the oversight agency has made its determination and issued a final corrective action plan requiring repayment of such costs. No amounts were repaid during the years ended June 30, 2021 and 2020.

Functional Expense

The costs of providing the various programs and supporting activities of Feeding Pennsylvania have been summarized on a functional 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 program services and supporting activities. The expenses that are allocated include the following:

Expenses	Allocation Method
Salaries and employee benefits	Time and effort
Payroll taxes	Time and effort
Professional development	Time and effort
Occupancy	Time and effort
Meals and entertainment	Time and effort
Amortization	Management estimate
Office expenses	Benefits received

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.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020, 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 2018.

Recently Adopted Accounting Pronouncement

During 2021, Feeding Pennsylvania adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement, and related subsequent pronouncements, require 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 and were applied retrospectively. There was no significant impact on Feeding Pennsylvania’s financial statements as a result of adopting this standard other than additional disclosures for revenue.

Recently Issued Accounting Pronouncements

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.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is expected to increase transparency around contributed nonfinancial assets (gifts-in-kind) received by not-for-profit entities by requiring the contributed nonfinancial assets to be reported separately in the statements of activities and additional disclosures regarding their use and valuation techniques utilized. The changes became effective for Feeding Pennsylvania on July 1, 2021. Management has not determined the impact of these changes on Feeding Pennsylvania’s financial statements.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the presentation of the 2021 financial statements.

Subsequent Events

Feeding Pennsylvania has evaluated subsequent events through February 1, 2022, the date the financial statements were available to be issued.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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 the organization, however, certain resources are limited to use by the MARC.

The financial assets as of June 30, 2021 and 2020, 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:

	2021	2020
Cash	\$ 7,908,911	\$ 1,822,962
Less: Cash restricted for MARC member deposits	(158,500)	(146,500)
Receivables		
Grants receivable	95,756	-
Donations receivable	8,668	15,509
Healthy pantry initiative receivables	109,986	92,702
MARC receivables	2,556,704	3,324,204
Other receivables	-	10,000
	10,521,525	5,118,877
Less: Net assets with donor restrictions (Note 4)	(1,996,455)	(62,205)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,525,070</u>	<u>\$ 5,056,672</u>

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, 2021 and 2020.

Net assets with donor restrictions for the PES Grant total \$60,997 at June 30, 2021 and 2020, respectively.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Fill A Glass With Hope

Feeding Pennsylvania received several donations totaling \$32,112 and \$91,470, respectively, from individuals and organizations in connection with the Fill A Glass With Hope Partnership in 2021 and 2020. Feeding Pennsylvania incurred expenses totaling \$28,655 and \$91,470, respectively, for these donations.

Net assets with donor restrictions for Fill A Glass With Hope total \$3,457 and zero at June 30, 2021 and 2020, respectively.

MARC

Feeding Pennsylvania received several grants totaling \$3,767,132 and \$140,000, respectively, from Feeding America to support the MARC in 2021 and 2020. Feeding Pennsylvania incurred expenses totaling \$1,906,656 and \$140,000, respectively, of related expenses that were applied to these grants.

Net assets with donor restrictions for MARC total \$1,860,476 and zero at June 30, 2021 and 2020, respectively.

Disaster Response

In 2021, Feeding Pennsylvania received a grant totaling \$50,000 from Feeding America for disaster response efforts. Feeding Pennsylvania incurred expenses totaling \$469 during the year that were applied to this grant.

Net assets with donor restrictions for Disaster Response total \$49,531 at June 30, 2021.

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. Feeding Pennsylvania incurred expenses totaling \$1,208 and \$5,292, respectively, of related expenses that were applied to this grant.

In 2021 and 2020, Feeding Pennsylvania received an advocacy grant totaling \$50,000 and \$25,000 from Feeding America. Feeding Pennsylvania incurred expenses totaling \$28,006 and \$25,000, respectively, of related expenses that were applied to these grants.

Net assets with donor restrictions for Advocacy total \$21,994 and \$1,208 at June 30, 2021 and 2020, respectively.

5. GRANTS

Feeding Pennsylvania made grants to its member organizations during the years ended June 30, 2021 and 2020, totaling \$11,101,049 and \$907,539 respectively. Grants approved but not disbursed at June 30, 2021 and 2020, totaled zero.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

6. LEASES

On September 1, 2020, Feeding Pennsylvania entered into an operating lease with the United Way of Pennsylvania for office space. The lease is on a month-to-month basis and will terminate no later than February 2025. The lease agreement contains provisions for a monthly rent payment which is subject to future rent increases as defined in the lease agreement.

Feeding Pennsylvania also holds an operating lease with the Regional Produce Cooperative Corporation for additional office space for the MARC. The lease commenced in April 2020 for an initial one year term. The lease agreement provides an option to extend the term for an additional two years.

Future minimum lease payments under these operating leases consist of the following for the years ending June 30:

2022	\$	37,000
2023		38,700
2024		24,500
2025		16,700
		<hr/>
Total	\$	<u>116,900</u>

Total rental expense under operating leases charged to operations amounted to \$33,650 and \$18,150 for the years ending June 30, 2021 and 2020.

7. RELATED PARTY TRANSACTIONS

The Executive Director of the Central Pennsylvania Food Bank serves as a Board Member of Feeding Pennsylvania. Additionally, Feeding Pennsylvania leased its facilities under an operating lease with the Central Pennsylvania Food Bank through August 31, 2020. Rental payments amounted to \$1,650 and \$9,900 during the years ended June 30, 2021 and 2020, respectively.

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

Several board members serve in leadership roles within organizations that maintain membership with Feeding Pennsylvania.

8. 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.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Concentrations

For the years ended June 30, 2021 and 2020, Feeding Pennsylvania received 17% and 3% of its grants and donations from Feeding America, 49% and 15% from the Commonwealth of Pennsylvania, and 31% and 70% percent from the US Department of Agriculture. At June 30, 2021 and 2020, receivables from the Commonwealth of Pennsylvania accounted for 100% of the Healthy Pantry Initiative receivable balance.

9. 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.

SUPPLEMENTARY INFORMATION

FEEDING PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
United States Department of Agriculture Pass-through from the Pennsylvania State University SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	4100088743	\$ 184,384
Department of the Treasury Pass-through from Commonwealth of Pennsylvania Department of Agriculture COVID-19 - Coronavirus Relief Fund	21.019	44209059	9,556,857
Department of Health and Human Services Pass-through from Commonwealth of Pennsylvania Department of Health Preventative Health and Health Services Block Grant	93.991	4100081715	<u>335,345</u>
Total Expenditures of Federal Awards			<u><u>\$10,076,586</u></u>

FEEDING PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

NOTES:

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Feeding Pennsylvania (a nonprofit organization) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

MEMBERS

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OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

The Board of Directors
Feeding Pennsylvania

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Feeding Pennsylvania, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 1, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Feeding Pennsylvania's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Feeding Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the Feeding Pennsylvania's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Feeding Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Feeding Pennsylvania's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Feeding Pennsylvania's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 1, 2022

MEMBERS

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INDEPENDENT MEMBER OF



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

The Board of Directors
Feeding Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Feeding Pennsylvania's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
February 1, 2022

FEEDING PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified?

☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

☐ Yes ☒ No

Significant deficiencies identified?

☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major federal programs?

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

AL Number

Name of Federal Program or Cluster

21.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters reported

SECTION III –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported

SECTION IV – PRIOR YEAR FINDINGS

No matters reported



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