

FEEDING PENNSYLVANIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
AND INFORMATION ON FEDERAL AWARDS

YEARS ENDED JUNE 30, 2024 AND 2023
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY
& ASBURY

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CONSULTING
ACCOUNTING

FEEDING PENNSYLVANIA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses - 2024	6
Statement of Functional Expenses - 2023	7
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	
Schedule of Expenditures of Federal Awards	23
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	27
Summary Schedule of Prior Audit Findings and Questioned Costs	30
Schedule of Findings and Questioned Costs	31

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Feeding Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Feeding Pennsylvania (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 present fairly, in all material respects, the financial position of Feeding Pennsylvania as of June 30, 2024 and 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Feeding Pennsylvania 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 the 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.

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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 Feeding Pennsylvania's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for 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 Feeding Pennsylvania'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 Feeding Pennsylvania'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.

Supplementary 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 as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis 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 December 19, 2024, 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
December 19, 2024

FEEDING PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
Current assets		
Cash	\$ 6,147,003	\$ 5,150,563
Investments	12,346,121	14,510,610
Receivables		
Grants receivable	622,369	275,323
Healthy pantry initiative receivables	174,070	100,787
MARC receivables (net of allowance for credit losses of \$75,000 and zero)	1,650,426	2,518,783
Other receivables	116,667	356,947
Inventory - MARC	377,762	203,999
Prepaid expenses	70,997	10,685
Total current assets	<u>21,505,415</u>	<u>23,127,697</u>
Non-current assets		
Property and equipment, net	2,234	1,442
Operating lease right-of-use asset, net	330,489	387,444
Intangible assets, net	47,175	16,112
Total non-current assets	<u>379,898</u>	<u>404,998</u>
Total assets	<u>\$ 21,885,313</u>	<u>\$ 23,532,695</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable		
MARC payables	\$ 1,176,333	\$ 3,397,891
Other payables	10,385	9,701
Accrued liabilities		
Payroll and payroll taxes	120,328	62,255
Other expenses	3,658,066	634,242
Grants payable	190,878	203,337
Deferred revenue - MARC	172,494	-
Operating lease obligation	53,592	41,908
Refundable advances	9,804,246	11,874,062
Total current liabilities	<u>15,186,322</u>	<u>16,223,396</u>
Other liabilities		
Operating lease obligation, net of current portion	295,971	359,685
MARC member deposits	29,000	29,000
Total other liabilities	<u>324,971</u>	<u>388,685</u>
Total liabilities	<u>15,511,293</u>	<u>16,612,081</u>
Net assets		
Without donor restrictions	5,542,763	4,829,041
With donor restrictions	831,257	2,091,573
Total net assets	<u>6,374,020</u>	<u>6,920,614</u>
Total liabilities and net assets	<u>\$ 21,885,313</u>	<u>\$ 23,532,695</u>

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

FEEDING PENNSYLVANIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Produce sales - MARC	\$ 18,430,548	\$ -	\$ 18,430,548	\$ 18,986,104	\$ -	\$ 18,986,104
Produce contributions	6,778,318	-	6,778,318	4,407,839	-	4,407,839
Freight, logistics, and shared maintenance	3,930,420	-	3,930,420	3,578,447	-	3,578,447
Healthy pantry initiative	728,086	-	728,086	639,898	-	639,898
PASS program	7,500,000	-	7,500,000	4,500,000	-	4,500,000
ARPA program	3,546,715	-	3,546,715	1,675,694	-	1,675,694
LFPA program	10,572,971	-	10,572,971	3,895,197	-	3,895,197
Other grants and donations	2,022,961	376,815	2,399,776	1,213,150	2,235,063	3,448,213
Membership dues	125,000	-	125,000	125,000	-	125,000
Miscellaneous revenue	19	-	19	9,595	-	9,595
Net investment income	164,471	-	164,471	113,753	-	113,753
Net assets released from restrictions	1,637,131	(1,637,131)	-	490,640	(490,640)	-
Total support and revenue	55,436,640	(1,260,316)	54,176,324	39,635,317	1,744,423	41,379,740
Program services	54,410,498	-	54,410,498	40,663,779	-	40,663,779
Management and general	185,000	-	185,000	213,846	-	213,846
Fundraising	127,420	-	127,420	71,141	-	71,141
Total expenses	54,722,918	-	54,722,918	40,948,766	-	40,948,766
Changes in net assets	713,722	(1,260,316)	(546,594)	(1,313,449)	1,744,423	430,974
Net assets, beginning	4,829,041	2,091,573	6,920,614	6,142,490	347,150	6,489,640
Net assets, ending	\$ 5,542,763	\$ 831,257	\$ 6,374,020	\$ 4,829,041	\$ 2,091,573	\$ 6,920,614

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

FEEDING PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	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	\$ 665,996	\$ -	\$ 95,794	\$ 294,711	\$ 176,464	\$ 1,232,965	\$ 93,419	\$ 62,280	\$ 1,388,664
Payroll taxes	43,744	-	5,848	20,426	10,928	80,946	6,908	4,606	92,460
Produce costs	17,402,294	-	-	-	-	17,402,294	-	-	17,402,294
Donated produce distributions	6,586,214	-	-	-	-	6,586,214	-	-	6,586,214
Freight, logistics, and shared maintenance costs	5,728,950	-	-	-	-	5,728,950	-	-	5,728,950
Professional development	2,833	-	238	665	-	3,736	3,326	2,218	9,280
Occupancy	29,535	814	6,662	23,318	11,030	71,359	1,269	846	73,474
Insurance	5,283	-	169	329	164	5,945	-	-	5,945
Advertising	1,626	2,492	431	6,256	31	10,836	-	4,085	14,921
Meals and entertainment	5,527	-	13	445	211	6,196	2,960	1,974	11,130
Meetings	2,664	-	-	200	-	2,864	133	88	3,085
Travel	25,424	180	1,420	5,709	3,255	35,988	6,833	4,555	47,376
Professional fees	215,725	-	6,877	85,517	73,326	381,445	40,447	26,965	448,857
Miscellaneous	85,949	27	-	-	81	86,057	10,840	7,226	104,123
Amortization	11,903	-	-	-	-	11,903	740	494	13,137
Depreciation	-	-	-	-	-	-	330	220	550
Office expense	32,892	53	1,397	913	3,980	39,235	15,547	10,365	65,147
Subcontractor expenses	-	-	517,441	347,926	-	865,367	-	-	865,367
Dues	675	-	-	1,459	550	2,684	2,248	1,498	6,430
Grants	38,804	180,671	86,806	17,497,318	4,051,915	21,855,514	-	-	21,855,514
Total expenses	<u>\$ 30,886,038</u>	<u>\$ 184,237</u>	<u>\$ 723,096</u>	<u>\$ 18,285,192</u>	<u>\$ 4,331,935</u>	<u>\$ 54,410,498</u>	<u>\$ 185,000</u>	<u>\$ 127,420</u>	<u>\$ 54,722,918</u>

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

FEEDING PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	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	\$ 487,994	\$ -	\$ 89,267	\$ 219,037	\$ 153,818	\$ 950,116	\$ 69,619	\$ 46,413	\$ 1,066,148
Payroll taxes	39,102	-	6,272	15,587	9,787	70,748	5,225	3,483	79,456
Produce costs	19,831,958	-	-	-	-	19,831,958	-	-	19,831,958
Donated produce distributions	4,556,947	-	-	-	-	4,556,947	-	-	4,556,947
Freight, logistics, and shared maintenance costs	3,700,138	-	-	-	-	3,700,138	-	-	3,700,138
Professional development	1,048	-	2,108	495	-	3,651	6,509	-	10,160
Occupancy	17,040	-	5,592	3,355	18,019	44,006	-	-	44,006
Insurance	5,802	-	1,929	2,893	964	11,588	1,929	-	13,517
Advertising	2,320	700	4,961	8,787	56	16,824	-	1,437	18,261
Meals and entertainment	1,526	361	196	316	3,233	5,632	2,053	1,369	9,054
Meetings	80	-	164	200	323	767	4	501	1,272
Travel	21,990	1,275	3,777	5,057	8,775	40,874	5,827	3,884	50,585
Professional fees	93,801	-	31,320	58,951	10,550	194,622	100,670	57	295,349
Miscellaneous	9,911	12	482	3,526	9,909	23,840	1,916	651	26,407
Amortization	-	-	-	-	6,876	6,876	-	6,876	13,752
Depreciation	-	-	-	-	-	-	76	-	76
Office expense	46,759	-	2,759	4,345	16,713	70,576	17,195	6,470	94,241
Subcontractor expenses	-	-	420,555	54,559	-	475,114	-	-	475,114
Dues	300	-	-	570	-	870	2,823	-	3,693
Grants	-	76,433	83,849	8,453,502	2,044,848	10,658,632	-	-	10,658,632
Total expenses	<u>\$ 28,816,716</u>	<u>\$ 78,781</u>	<u>\$ 653,231</u>	<u>\$ 8,831,180</u>	<u>\$ 2,283,871</u>	<u>\$ 40,663,779</u>	<u>\$ 213,846</u>	<u>\$ 71,141</u>	<u>\$ 40,948,766</u>

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

FEEDING PENNSYLVANIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Changes in net assets	\$ (546,594)	\$ 430,974
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	13,687	13,828
Allowance for credit losses	75,000	-
Amortization of right-of-use asset	56,955	37,330
Unrealized gain on investments	(735,511)	(494,531)
(Increase) decrease in		
Grants receivable	(347,046)	(172,988)
Healthy pantry initiative receivables	(73,283)	(11,601)
MARC receivables	793,357	(597,586)
Other receivables	240,280	(356,947)
Inventory - MARC	(173,763)	59,607
Prepaid expenses	(60,312)	10,048
Increase (decrease) in		
MARC payables	(2,221,558)	842,866
Other payables	684	(229,649)
Accrued liabilities	3,081,897	431,921
Grants payable	(12,459)	203,337
Deferred revenue - MARC	172,494	-
Refundable advances	(2,069,816)	504,442
Operating lease obligation	(52,030)	(23,181)
Net cash provided by (used in) operating activities	(1,858,018)	647,870
Cash flows from investing activities		
Net sales of investments	2,900,000	1,000,000
Purchase of property and equipment	(1,342)	(1,518)
Purchase of intangible assets	(44,200)	-
Net cash provided by investing activities	2,854,458	998,482
Cash flows from financing activities		
Net repayments to MARC members	-	(129,500)
Net cash used in financing activities	-	(129,500)
Net increase in cash	996,440	1,516,852
Cash - beginning	5,150,563	3,633,711
Cash - ending	\$ 6,147,003	\$ 5,150,563
Schedule of non-cash investing activities		
Right-of-use asset obtained in exchange for lease obligation	\$ -	\$ 473,651

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 Pennsylvania nonprofit 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.

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. 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 – Feeding Pennsylvania is the sole administrator for the Pennsylvania Agricultural Surplus System (PASS) Program on behalf of the Pennsylvania Department of Agriculture (PDA). Under PASS, funds are awarded from PDA to acquire and distribute local food products to charitable food organizations in existence within the State of Pennsylvania. During 2024 and 2023, Feeding Pennsylvania received \$7,500,000 and \$4,500,000 in funding for the PASS program. In 2023, Feeding Pennsylvania was also awarded a grant from the Pennsylvania Department of Agriculture in an amount not to exceed \$15,180,932 to administer the Local Food Purchase Assistance Cooperative Program (LFPA) which aims to procure top-graded, high-quality product for distribution from local producers, including socially disadvantaged farmers/producers and very small farmers whose production capacity can be matched with local agencies. In 2024, Feeding Pennsylvania received an additional award of \$14,724,610.

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*. FASB ASC 958 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 2024 and 2023.

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 5.

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, 2024 and 2023.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Included in Feeding Pennsylvania's cash balance at June 30, 2024 and 2023, are funds totaling \$29,000, restricted for MARC member deposits.

Investments

Feeding Pennsylvania carries investments in U.S. Treasury bills at their fair market value with gains and losses included in the statements of activities.

Feeding Pennsylvania's investments are managed by investment advisors. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the statements of financial position could change materially in the near term.

Grants Receivable

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

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 and are contract assets arising from exchange transactions. Amounts are reported at outstanding less an allowance for credit losses. The allowance estimate is derived from a review of Feeding Pennsylvania's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions and any other factors deemed relevant by Feeding Pennsylvania.

As of July 1, 2022, the balance of MARC receivables was \$1,921,197.

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

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

pound” value used to determine donated produce, and related cost of produce sales, was \$0.89 and \$0.86 in 2024 and 2023, respectively. Donated produce totaled \$195,535 and \$3,431 at June 30, 2024 and 2023, respectively.

Donated produce invoiced to members totaled 4,252,024 pounds in 2024 and 5,179,184 pounds in 2023. Produce sales of donated inventory totaled \$6,778,318 and \$4,407,839 for the years ended June 30, 2024 and 2023, respectively. Cost of produce sales of donated inventory totaled \$6,586,214 and \$4,556,947 for the years ended June 30, 2024 and 2023, respectively.

Intangible Assets

Intangible assets of Feeding Pennsylvania consist of software and web designs totaling \$94,113 and \$49,913 as of June 30, 2024 and 2023. The software and web designs are being amortized using the straight-line method over its statutory life of 3 years. Accumulated amortization totaled \$46,938 and \$33,801 as of June 30, 2024 and 2023, respectively. Amortization expense totaled \$13,137 and \$13,752 for the years ended June 30, 2024 and 2023, 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 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 and represents a contract liability. There was no deferred revenue as of July 1, 2022.

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.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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.

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. This includes revenue from the Healthy Pantry Initiative, PASS program, ARPA program, LFPA program, and Other grants and donations. 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, 2024 and 2023.

In-Kind Contributions

Feeding Pennsylvania reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

maintained, Feeding Pennsylvania reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated in-kind contributions of long-lived assets are recorded at fair value at the time of receipt. These contributions are recognized as both support and expenses in the statements of activities.

Feeding Pennsylvania reports produce contributions as unrestricted support when received. Produce contributions are used towards the operation of the MARC program.

Leases

Feeding Pennsylvania leases office space and warehouses. The determination of whether an arrangement is or contains a lease is made at inception. Operating leases are included in operating right-of-use (ROU) assets and operating lease obligation on the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease obligations represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and obligations are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the risk-free rate used is based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Feeding Pennsylvania will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

In evaluating contracts to determine if they qualify as a lease, Feeding Pennsylvania considers factors such as if Feeding Pennsylvania has obtained substantially all of the rights to the underlying asset through exclusivity, if Feeding Pennsylvania can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Feeding Pennsylvania's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Functional Expenses

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:

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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.

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, 2024 and 2023, 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 2021.

Recently Adopted Accounting Standard

In June 2016, FASB issued ASC 326, Financial Instruments – *Credit Losses*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of credit losses for the remaining estimated life of a financial asset using historical experience, current conditions, and reasonable and supportable forecasts. Financial assets held by Feeding Pennsylvania that are subject to the guidance in FASB ASC 326 are MARC receivables. Feeding Pennsylvania adopted the new standard using the

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

modified retrospective approach effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures.

Reclassifications

Amounts reported in the 2023 financial statements as PASS Program revenue and Other Grants and Donations have been reclassified to report ARPA Program revenue and LFPA Program revenue separately to conform to the presentation in the 2024 financial statements.

Subsequent Events

Feeding Pennsylvania has evaluated subsequent events through December 19, 2024, the date the financial statements were available to be issued.

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, 2024 and 2023, 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:

	2024	2023
Cash	\$ 6,147,003	\$ 5,150,563
Less: Cash restricted for MARC member deposits	(29,000)	(29,000)
Investments	12,346,121	14,510,610
Receivables		
Grants receivable	622,369	275,323
Healthy pantry initiative receivables	174,070	100,787
MARC receivables	1,650,426	2,518,783
Other receivables	116,667	356,947
	21,027,656	22,884,013
Less: Refundable advances	(9,804,246)	(11,874,062)
Less: Net assets with donor restrictions (Note 5)	(831,257)	(2,091,573)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,392,153</u>	<u>\$ 8,918,378</u>

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.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under ASC 820, *Fair Value Measurements and Disclosures*, are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Feeding Pennsylvania has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Fixed income securities: Valued on the basis of market valuations primarily furnished by an independent pricing service that employs various evaluation methods. Such market valuations may

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

represent one of the following: (i) the last quoted price on the securities' major trading exchange, (ii) quotes received from dealers or market makers in the relevant securities, or (iii) matrix pricing.

The following table sets forth by level, within the fair value hierarchy, Feeding Pennsylvania's investments at fair value as of June 30, 2024 and 2023:

Reported at Fair Value	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Fixed-income securities				
U.S. Government and agencies	\$ -	\$ 12,346,121	\$ -	\$ 12,346,121
Total investments	<u>\$ -</u>	<u>\$ 12,346,121</u>	<u>\$ -</u>	<u>\$ 12,346,121</u>
Reported at Fair Value	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Fixed-income securities				
U.S. Government and agencies	\$ -	\$ 14,510,610	\$ -	\$ 14,510,610
Total investments	<u>\$ -</u>	<u>\$ 14,510,610</u>	<u>\$ -</u>	<u>\$ 14,510,610</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

MARC

Feeding Pennsylvania received several grants totaling zero and \$1,990,063, respectively, from Feeding America to support the MARC in 2024 and 2023. Feeding Pennsylvania incurred expenses totaling \$1,383,961 and \$391,145, respectively, of related expenses that were applied to these grants.

Net assets with donor restrictions for MARC total \$525,112 and \$1,909,073 at June 30, 2024 and 2023, respectively.

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

Advocacy

In 2024 and 2023, Feeding Pennsylvania received advocacy grants totaling \$136,000 and \$245,000 from Feeding America. Feeding Pennsylvania incurred expenses totaling \$87,355 and \$99,495, respectively, of related expenses that were applied to these grants.

Net assets with donor restrictions for Advocacy total \$231,145 and \$182,500 at June 30, 2024 and 2023, respectively.

Fill A Glass With Hope

Feeding Pennsylvania received several donations totaling \$240,815 from individuals and organizations in connection with the Fill A Glass With Hope Partnership in 2024. In 2024, Feeding Pennsylvania incurred expenses totaling \$165,815 for these donations.

Net assets with donor restrictions for Fill A Glass With Hope totaled \$75,000 at June 30, 2024.

6. REFUNDABLE ADVANCES

During 2022, Feeding Pennsylvania received \$11,392,345 in grant funds from the Commonwealth of Pennsylvania Department of Community and Economic Development authorized under the American Rescue Plan Act of 2021 (ARPA). Funds are to be used to expand cold storage at eighteen participating food banks and must be spent by December 31, 2024.

During 2023, the Pennsylvania Department of Agriculture advanced \$6,075,333 of grant funds to Feeding Pennsylvania to administer the LFPA program. During 2024, the Pennsylvania Department of Agriculture advanced an additional \$12,049,871 to Feeding Pennsylvania. Funds are to be used to procure food products from local farmers.

The following amounts have been recognized as a refundable advance on the statements of financial position at June 30:

	2024	2023
ARPA	\$ 6,147,211	\$ 9,693,926
LFPA	3,657,035	2,180,136
	<u>\$ 9,804,246</u>	<u>\$ 11,874,062</u>

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

7. GRANTS

Feeding Pennsylvania made grants to its member organizations during the years ended June 30, 2024 and 2023, totaling \$21,855,514 and \$10,658,632 respectively. Grants approved but not disbursed at June 30, 2024 and 2023, totaled \$190,878 and \$203,337.

8. LEASES

Feeding Pennsylvania entered into an operating lease with the United Way of Pennsylvania for office space. The lease was on a month-to-month basis and was scheduled to terminate no later than February 2025. In January 2023, Feeding Pennsylvania terminated the lease agreement early.

In April 2023, Feeding Pennsylvania entered into a new lease agreement for office space which will expire on June 30, 2030.

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 after which the lease converted to a month-to-month basis.

Total operating lease costs for the years ended June 30, 2024 and 2023 were \$73,474 and \$44,006.

Other information related to operating leases is as follows as of and for the years ended June 30:

	2024	2023
Weighted average remaining lease term	5.93 years	6.93 years
Weighted average discount rate	2.92%	2.92%

FEEDING PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

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

2025	\$	55,157
2026		56,811
2027		58,515
2028		60,271
2029		62,079
Thereafter		<u>115,973</u>
Total future minimum lease payments	\$	408,806
Less present value discount		<u>(59,243)</u>
Net present value of minimum lease obligations	\$	<u><u>349,563</u></u>

9. RELATED PARTY TRANSACTIONS

Several board members serve in leadership roles within organizations that maintain membership with Feeding Pennsylvania. These organizations participate in programs offered and administered by Feeding Pennsylvania.

10. 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, 2024 and 2023, Feeding Pennsylvania received 4% and 17% of its grants and donations from Feeding America and 93% and 79% from the Commonwealth of Pennsylvania. At June 30, 2024 and 2023, receivables from the Commonwealth of Pennsylvania accounted for 100% of the Healthy Pantry Initiative receivable balance.

SUPPLEMENTARY INFORMATION

FEEDING PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
United States Department of Agriculture Pass-through from Commonwealth of Pennsylvania Department of Agriculture Pandemic Relief Activities: Local Food Purchase Assistance Cooperative Agreement (LFPA)	10.182	4100095515	\$ -	\$ 10,572,971
Pass-through from the Pennsylvania State University SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	4100088743	-	305,103
Pass-through from Commonwealth of Pennsylvania Department of Agriculture Food Distribution Cluster Emergency Food Assistance Program (Administrative Costs)	10.568	4000023913	-	202,434
Department of the Treasury Pass-through from Pennsylvania Department of Community and Economic Development Coronavirus State and Local Fiscal Recovery Funds	21.027	C000082059	3,546,715	3,546,715
Department of Health and Human Services Pass-through from Commonwealth of Pennsylvania Department of Health Preventative Health and Health Services Block Grant	93.991	4100094357	<u>-</u>	<u>422,983</u>
Total Expenditures of Federal Awards			<u>\$ 3,546,715</u>	<u>\$ 15,050,206</u>

FEEDING PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

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, 2024. 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.

4. COMMONWEALTH OF PENNSYLVANIA DEPARTMENT OF HEALTH FEDERAL AWARDS

A summary of federal awards passed through the Commonwealth of Pennsylvania Department of Health is as follows:

Contract	6/30/2023 Accounts Receivable (Deferred)	Federal Awards Received	Revenue Recognized	6/30/2024 Accounts Receivable (Deferred)
4100081715	\$ 100,787	\$ 349,700	\$ 422,983	\$ 174,070

**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, 2024, 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 December 19, 2024.

Report on 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 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 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 were not identified.

Report on 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
December 19, 2024

**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

Opinion on Each Major Federal Program

We have audited Feeding Pennsylvania's (a nonprofit organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Feeding Pennsylvania's major federal programs for the year ended June 30, 2024. Feeding Pennsylvania's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Feeding Pennsylvania complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Feeding Pennsylvania and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Feeding Pennsylvania's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Feeding Pennsylvania's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Feeding Pennsylvania's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Feeding Pennsylvania's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Feeding Pennsylvania's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Feeding Pennsylvania's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Feeding Pennsylvania's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on Feeding Pennsylvania's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Feeding Pennsylvania's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 19, 2024

FEEDING PENNSYLVANIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

AUDIT FINDING: Federal Award Finding 2023-001

STATUS OF PRIOR AUDIT FINDING: Planned corrective action was completed during the fiscal year ended June 30, 2024. However, the corrective action was not completed in time to prevent a repeat finding related to the timely submission of the reporting package for the fiscal year ended June 30, 2023.

FEEDING PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

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

10.182

Pandemic Relief Activities: Local Food Purchase Assistance
Cooperative Agreement (LFPA)

21.027

Coronavirus State and Local Fiscal Recovery Funds

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

FEEDING PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

SECTION III –FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2024-001:

Information of the Federal Program:

Assistance Listing Number 10.182—Pandemic Relief Activities: Local Food Purchase Assistance Cooperative Agreement (LFPA). Pass-Through Entity: Commonwealth of Pennsylvania Department of Agriculture. Award Number: 41000095515

Assistance Listing Number 10.561—State Administrative Matching Grants for the Supplemental Nutrition Assistance Program. Pass-Through Entity: Pennsylvania State University. Award Number: 41000088743

Assistance Listing Number 10.568—Emergency Food Assistance Program (Administrative Costs). Pass-Through Entity: Commonwealth of Pennsylvania Department of Agriculture. Award Number: 4000023913

Assistance Listing Number 21.027—Coronavirus State and Local Fiscal Recovery Funds. Pass-Through Entity: Pennsylvania Department of Community and Economic Development. Award Number: C000082059

Assistance Listing Number 93.991—Preventative Health and Health Services Block Grant. Pass-Through Entity: Commonwealth of Pennsylvania Department of Health. Award Number: 41000081715

Condition: The reporting package for the year ended June 30, 2023 was not submitted to the Federal Audit Clearinghouse (FAC) in accordance with applicable requirements.

Criteria: In accordance with 2 CFR 200.512 of the Uniform Guidance, the audit, data collection form, and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.

Cause: Staffing resources did not allow for the reporting package to be prepared in a timely manner creating a delay in its submission.

Effect or Potential Effect: Continual delinquencies could result in the termination of federal grants, suspension of federal funds, or debarment.

Questioned Costs: None noted.

Context: Limited resources and turnover within the accounting department during the fiscal year did not allow for the financial records to be maintained and reconciled in a timely manner.

FEEDING PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Repeat Finding: Repeat finding of 2023-001.

Recommendation: The Organization should ensure appropriate staff have adequate time to prepare for the audit and work with the audit firm to make sure the reporting package is submitted by the required due dates.

View of Responsible Official: During the year following June 30, 2022, Feeding Pennsylvania experienced temporary staffing capacity issues that delayed our ability to timely prepare for and complete the relevant audit. Feeding Pennsylvania has since resolved these capacity issues through the hiring of a new CEO and the addition of experienced accounting personnel to support the CFO in strengthening internal controls and enhancing accounting and audit preparation processes. After filling these vacancies, Feeding Pennsylvania is in the process of completing the audit for the year ending June 30, 2024 in a timely manner. The Organization considers this matter resolved for future periods.



20 Erford Road, Suite 115
Lemoyne, PA 17043
(717) 257-9854

ssaman@feedingpa.org
www.feedingpa.org

CORRECTIVE ACTION PLAN JUNE 30, 2024

U.S. Department of Agriculture, Department of the Treasury, and Department of Health and Human Service

Feeding Pennsylvania respectfully submits the following corrective action plan for the year ended June 30, 2024.

Name and address of independent public accounting firm:

McKonly & Asbury LLP
415 Fallowfield Road
Camp Hill, PA 17011

Audit period: July 1, 2023 through June 30, 2024

The finding from the June 30, 2024, schedule of findings and questions costs is discussed below.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Noncompliance

Finding 2024-001: Reporting Package Submission

The required reporting package for the year ended June 30, 2023 was not submitted to the Federal Audit Clearinghouse (FAC) in accordance with applicable requirements. In accordance with 2 CFR 200.512 of the Uniform Guidance, the audit, data collection form, and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the audit period.

Planned Corrective Action: During the year following June 30, 2022, Feeding Pennsylvania experienced temporary staffing capacity issues that delayed our ability to timely prepare for and complete the relevant audit. Feeding Pennsylvania has since resolved these capacity issues through the hiring of a new CEO and the addition of experienced accounting personnel to support the CFO in strengthening internal controls and enhancing accounting and audit preparation processes. After filling these vacancies, Feeding Pennsylvania is in the process of completing the audit for the year ending June 30, 2024 in a timely manner. The Organization considers this matter resolved for future periods.

Common Good for the Commonwealth

- Central Pennsylvania Food Bank, *Harrisburg* • Community Food Warehouse of Mercer County, *Sharon* •
- Greater Pittsburgh Community Food Bank, *Duquesne* • H & J Weinberg Northeast Pennsylvania Regional Food Bank, *Wilkes Barre* •
- Philabundance, *Philadelphia* • Second Harvest Food Bank of Northwest Pennsylvania, *Erie* • Westmoreland County Food Bank, *Delmont* •
- Second Harvest Food Bank of the Lehigh Valley and Northeast Pennsylvania, *Allentown* • Helping Harvest Fresh Food Bank, *Reading* •



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Shea Saman is responsible for the corrective action plan. If the U.S Department of Agriculture, Department of the Treasury, and Department of Health and Human Service has questions regarding this plan, please email ssaman@feedingpa.org.

Sincerely yours,

A handwritten signature in black ink, appearing to read "SS", with a long horizontal flourish extending to the right.

Shea Saman, CFO

Common Good for the Commonwealth

- Central Pennsylvania Food Bank, *Harrisburg* • Community Food Warehouse of Mercer County, *Sharon* •
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