

AUDITED FINANCIAL STATEMENTS

VERMONT FOODBANK

Barre, Vermont

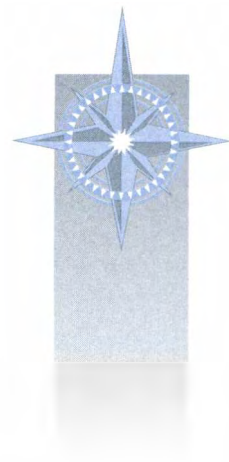
September 30, 2022

Boisselle, Morton & Wolkowicz, LLP
Certified Public Accountants

Vermont Foodbank

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Independent Auditors' Report

To the Officers and Directors
Vermont Foodbank
Barre, Vermont

Opinion

We have audited the accompanying financial statements of Vermont Foodbank (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vermont Foodbank and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vermont Foodbank's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Vermont Foodbank'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 Vermont Foodbank'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.

Report on Summarized Comparative Information

We have previously audited Vermont Foodbank's September 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023, on our consideration of Vermont Foodbank'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 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 Vermont Foodbank'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 Vermont Foodbank's internal control over financial reporting and compliance.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
January 24, 2023

VERMONT FOODBANK
Statement of Financial Position
September 30, 2022
(with comparative totals for September 30, 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash	\$ 738,996	\$ 365,023
Contributions receivable	2,126,901	1,116,141
Grants receivable	4,635,591	228,063
Inventory	1,676,175	2,069,328
Prepaid expenses	88,077	50,202
Investments	20,426,176	28,115,320
Property and equipment, net	<u>7,624,683</u>	<u>4,259,566</u>
Total assets	<u>\$ 37,316,599</u>	<u>\$ 36,203,643</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 1,064,745	\$ 391,265
Accrued expenses	<u>356,599</u>	<u>199,824</u>
Total liabilities	<u>1,421,344</u>	<u>591,089</u>
Net assets		
Without donor restrictions		
Undesignated	14,341,406	16,397,692
Property and equipment	7,624,683	4,259,566
Board designated	<u>10,300,000</u>	<u>10,300,000</u>
Total net assets without donor restrictions	32,266,089	30,957,258
With donor restrictions	<u>3,629,166</u>	<u>4,655,296</u>
Total net assets	<u>35,895,255</u>	<u>35,612,554</u>
Total liabilities and net assets	<u>\$ 37,316,599</u>	<u>\$ 36,203,643</u>

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

VERMONT FOODBANK
Statement of Activities
Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

	Without Donor Restrictions			With Donor	2022	2021
	<u>Foodbank</u>	<u>Donated Food</u>	<u>Total</u>	<u>Restrictions</u>	<u>Total</u>	<u>Total</u>
Operating support and revenue						
Food donations and USDA food received		\$ 15,897,349	\$ 15,897,349		\$ 15,897,349	\$ 21,772,045
Contributions	\$ 9,168,832		9,168,832	\$ 1,972,598	11,141,430	19,940,204
Grant income	8,605,372		8,605,372	510,175	9,115,547	7,272,922
Other revenue	115,823		115,823		115,823	64,337
In-kind contributions	49,984		49,984		49,984	108,216
Interest income - operations	43,758		43,758		43,758	11,473
Sales of purchased food						582,458
Net assets released from restrictions	411,936		411,936	(411,936)		
Total operating support and revenue	<u>18,395,705</u>	<u>15,897,349</u>	<u>34,293,054</u>	<u>2,070,837</u>	<u>36,363,891</u>	<u>49,751,655</u>
Operating expenses						
Program	14,677,237	16,258,346	30,935,583		30,935,583	35,648,571
Administration	1,581,100		1,581,100		1,581,100	1,100,508
Fundraising	2,333,287		2,333,287		2,333,287	1,988,983
Total operating expenses	<u>18,591,624</u>	<u>16,258,346</u>	<u>34,849,970</u>		<u>34,849,970</u>	<u>38,738,062</u>
Change in net assets, operations	<u>(195,919)</u>	<u>(360,997)</u>	<u>(556,916)</u>	<u>2,070,837</u>	<u>1,513,921</u>	<u>11,013,593</u>
Non-operating income (expense)						
Capital grants and gifts	656,240		656,240	12,500	668,740	698,916
Net assets released for capital purchases	3,109,467		3,109,467	(3,109,467)		
Investment income - non-operating	189,065		189,065		189,065	83,658
Investment management fees	(44,103)		(44,103)		(44,103)	(25,418)
Net unrealized (loss) gain on investments	(1,377,346)		(1,377,346)		(1,377,346)	64,477
Net realized (loss) gain on sale of investments	(55,483)		(55,483)		(55,483)	171,313
Net loss on disposal of equipment	(296,166)		(296,166)		(296,166)	(2,864)
Depreciation	(315,927)		(315,927)		(315,927)	(301,010)
Total non-operating income (expense)	<u>1,865,747</u>		<u>1,865,747</u>	<u>(3,096,967)</u>	<u>(1,231,220)</u>	<u>689,072</u>
Change in net assets	1,669,828	(360,997)	1,308,831	(1,026,130)	282,701	11,702,665
Net assets - beginning of year	<u>29,373,863</u>	<u>1,583,395</u>	<u>30,957,258</u>	<u>4,655,296</u>	<u>35,612,554</u>	<u>23,909,889</u>
Net assets - end of year	<u>\$ 31,043,691</u>	<u>\$ 1,222,398</u>	<u>\$ 32,266,089</u>	<u>\$ 3,629,166</u>	<u>\$ 35,895,255</u>	<u>\$ 35,612,554</u>

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

VERMONT FOODBANK
Statement of Functional Expenses
Year Ended September 30, 2022
(with comparative totals for the year ended September 30, 2021)

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
Value of donated food distributed	\$ 16,258,346			\$ 16,258,346	\$ 22,285,475
Employee compensation	4,134,314	\$ 1,296,597	\$ 1,278,944	6,709,855	5,205,723
Cost of food purchased	4,649,842			4,649,842	5,304,643
Other program expenses	3,245,572			3,245,572	2,152,704
Fundraising expenses			762,568	762,568	806,645
Contracted labor expense	423,581		81,392	504,973	873,345
Warehouse supplies	474,073			474,073	347,606
Vehicle lease and operating costs	468,017			468,017	421,972
Building and grounds maintenance	387,246	15,741	15,619	418,606	321,588
Office expenses	175,033	40,449	65,970	281,452	220,097
Professional services	42,871	164,484	14,106	221,461	134,867
Inbound freight	206,110			206,110	132,280
Utilities	127,238	6,343	6,293	139,874	112,755
Training, conferences and education	66,912	21,749	25,459	114,120	71,870
Other supporting services	38,158	17,127	38,627	93,912	54,365
Insurance	64,903	7,229	10,343	82,475	95,366
Agency relations	81,654			81,654	20,985
Public relations	28,677	351	30,884	59,912	55,264
In-kind expenses	49,984			49,984	108,216
Travel	13,052	1,984	3,082	18,118	12,082
Board expense		9,046		9,046	214
Total expenses before depreciation	<u>30,935,583</u>	<u>1,581,100</u>	<u>2,333,287</u>	<u>34,849,970</u>	<u>38,738,062</u>
Depreciation	<u>271,784</u>	<u>22,158</u>	<u>21,985</u>	<u>315,927</u>	<u>301,010</u>
Total expenses	<u>\$ 31,207,367</u>	<u>\$ 1,603,258</u>	<u>\$ 2,355,272</u>	<u>\$ 35,165,897</u>	<u>\$ 39,039,072</u>

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

VERMONT FOODBANK

Statement of Cash Flows

Year Ended September 30, 2022

(with comparative totals for the year ended September 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from contributions and grants	\$ 14,838,689	\$ 30,391,472
Cash received from food sales		582,458
Cash received from fees and other programs	115,823	61,831
Cash paid for compensation and related expenses	(6,553,080)	(5,190,720)
Cash paid to suppliers	(6,325,638)	(5,595,206)
Cash paid for food inventory	(4,649,842)	(5,304,643)
Interest received	503	920
Interest paid	(327)	(868)
Net cash (used) provided by operating activities	<u>(2,573,872)</u>	<u>14,945,244</u>
Cash flows from investing activities		
Proceeds from sales of investments	25,316,785	27,086,386
Purchases of investments	(19,060,470)	(41,080,160)
Proceeds from sales of property and equipment	14,500	5,900
Purchases of property and equipment	(3,991,710)	(658,028)
Net cash provided (used) by investing activities	<u>2,279,105</u>	<u>(14,645,902)</u>
Cash flows from financing activities		
Capital grants and gifts	668,740	698,916
Borrowings on line of credit	1,012,511	204,029
Repayments on line of credit	(1,012,511)	(204,029)
Principal payments on notes payable		(658,461)
Net cash provided by financing activities	<u>668,740</u>	<u>40,455</u>
Net increase in cash	373,973	339,797
Cash - beginning of year	<u>365,023</u>	<u>25,226</u>
Cash - end of year	<u>\$ 738,996</u>	<u>\$ 365,023</u>

Supplemental disclosures of non-cash operating and investing activities:

Donated food received	\$ 15,897,349	\$ 21,772,045
Donated food distributed	(16,258,346)	(22,285,475)
Donated in-kind support and expense	(49,984)	(108,216)

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

VERMONT FOODBANK
Notes to the Financial Statements
September 30, 2022

1. Summary of Significant Accounting Policies

Nature of Business: Vermont Foodbank (“the Foodbank”) is an independent, nonprofit Vermont corporation formed in 1989. The purpose of the Foodbank is to distribute food through direct services, food shelves and other nonprofit agencies throughout the state of Vermont and to educate the general public on the issues of hunger. The Foodbank is a certified affiliate of the Feeding America Food Bank Network.

Description of Programs: A description of the major programs included in these financial statements is as follows:

Food distribution: The Foodbank distributed 12,479,011 pounds (gross weight) of donated and purchased food products in the year ended September 30, 2022, from a variety of sources including regional supermarket reclamation centers, local food processors, retailers, local farmers, and national manufactures through the Feeding America network. The Foodbank sorts the donated products and reclaims approximately 98% as suitable for redistribution. The donated product is supplemented with food from the U.S. Department of Agriculture (USDA), and some purchased food. Food from most sources is made available to the Foodbank’s more than 224 network partners throughout Vermont (food shelves and meal sites) either through pickup at the Foodbank’s Barre, Brattleboro, or Rutland, VT, regional distribution centers, or delivery via Foodbank trucks.

Network partners pay an annual membership fee. Annual membership fees for network partners are based on the number of pounds of donated product the agency receives during the previous year, network partners pay a delivery fee of \$.08 per pound for all food delivered (except USDA food); there is no delivery fee for donated food that is picked up. There are no charges of any kind for USDA food distributed. The Foodbank also administers the “Commodity Supplemental Food Program” (CSFP), a USDA program that allows the Foodbank to deliver USDA food directly to eligible recipients each month at drop sites throughout the State. All delivery fees and membership fees were waived in fiscal years 2022 and 2021 due to the COVID-19 pandemic.

Tax Status: The Foodbank is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes on income related to its exempt purpose as a public charity pursuant to Section 509(a)(1). In addition, the Foodbank qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi). The Foodbank is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Foodbank is also subject to income tax on net income that is derived from business activities that are unrelated to the Foodbank’s exempt purposes. Management has determined that the Foodbank is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation: The financial statements of the Foodbank have been prepared on the accrual basis of accounting. The net assets of the Foodbank are reported as without donor restrictions or with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use.

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 disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Receivables: Receivables, or amounts due to the Foodbank, consist of contributions receivable, grants receivable, network partners' fees due, and various amounts due from other Foodbank programs. Management believes these receivables are collectible and have not established an allowance. Contributions receivable consist of promises to give to support the Foodbank's programs and capital purchases. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Inventory: Inventory consists of donations, USDA food and purchased food awaiting distribution. Purchased food is valued at the lower cost or market. Donated food is valued at the estimated fair market value at the date it was received as are USDA food (determined by Feeding America; donated at \$1.79 and USDA at \$1.70 per pound in 2022). All inventory values are determined using the first-in, first-out method.

Investments: Investments are stated at market value. Money market accounts and other cash equivalents that are included in the Foodbank's investment accounts are presented as investments in these financial statements. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities.

Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities and changes in net assets.

Fair Value Measurements: Accounting standards have established a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued): Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted prices for identical assets or liabilities in active markets. Market price is generally obtained from exchange or dealer markets. |
| Level 2 | 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. |
| Level 3 | Unobservable and significant to the fair value measurement. |

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. When available, Vermont Foodbank measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Property and Equipment: The cost, if purchased, and fair value, if donated, of property and equipment is capitalized. The Foodbank's policy is to capitalize purchases of property and equipment exceeding \$5,000. Depreciation is computed by the straight-line method over the estimated useful lives of the underlying assets; asset lives range between 3 and 40 years. As the Foodbank relies on securing capital gifts and grants to support net asset purchases, it has classified depreciation expense as a non-operating expense.

Revenue Recognition: The Foodbank recognizes contributions and grants when they are received or an unconditional promise to give is made. Contributions and grants with a right of return and measurable performance or other barriers are not recognized until the conditions on which they depend have been met. Contributions and grants that are restricted by the donor or grantor (either by time or purpose) are recorded as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purposed restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other income is recognized when it is earned and sales of purchased food when the sale occurs.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

1. Summary of Significant Accounting Policies (Continued)

Donated Food and In-Kind Contributions: Donated food, as well as, in-kind contributions of supplies and property and equipment are recorded at estimated fair value at the date of donation. If donors stipulate how long the assets must be used or that they are used for a particular purpose, the contributions are treated as being restricted by the donor.

In-kind contributions are recorded as revenue and expense in the accompanying statement of activities or as additions to assets in the statement of financial position.

The Foodbank generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foodbank with donated food salvage and reclamation, fundraising solicitations and other functions. Approximately 691 volunteers donated 8,522 hours of services to the Foodbank for the year ended September 30, 2022. The financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

The Foodbank's policy related to in-kind contributions is to utilize the assets to carry out its mission. If an asset is provided that does not allow the Foodbank to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU amends certain aspects of presentation and disclosure for gifts-in-kind, including the requirement that gifts-in-kind, such as donated food, supplies, services, and property and equipment be disaggregated by category and disclosure of the valuation techniques to arrive at the value of gifts-in-kind. The Foodbank retrospectively adopted this standard on October 1, 2021, and presents the required disclosures in Note 12.

Expense Allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

2. Investments

The Foodbank had investments (all Level 1) as follows at September 30:

	<u>2022</u>	<u>2021</u>
Cash and sweep balances	\$10,357,762	\$19,847,767
U.S. Treasury securities	2,910,775	
Mutual funds of bonds	4,187,841	3,999,240
Mutual funds of domestic equities	1,946,274	2,919,172
Mutual funds of international equities	831,071	705,863
Certificates of deposit	<u>192,453</u>	<u>643,278</u>
	<u>\$20,426,176</u>	<u>\$28,115,320</u>

Investment return consisted of the following for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$189,065	\$ 83,658
Realized (loss) gain on sale of investments	(55,483)	171,313
Investment fees	<u>(44,103)</u>	<u>(25,418)</u>
Net investment income	<u>\$ 89,479</u>	<u>\$229,553</u>
Net unrealized (loss) gain on investments	<u>\$(1,377,346)</u>	<u>\$ 64,477</u>

Fair values for mutual funds were determined by reference to quoted market prices and other relevant information generated by market transactions.

3. Property and Equipment

Property and equipment consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land, building and improvements	\$ 9,313,540	\$6,015,188
Furniture, fixtures and office equipment	509,282	476,094
Warehouse equipment	779,353	884,024
Vehicles	<u>595,959</u>	<u>579,763</u>
	11,198,134	7,955,069
Less accumulated depreciation	<u>3,573,451</u>	<u>3,695,503</u>
Property and equipment, net	<u>\$ 7,624,683</u>	<u>\$4,259,566</u>

Depreciation expense was \$315,927 and \$301,010 for the years ended September 30, 2022 and 2021, respectively.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

3. Property and Equipment (Continued)

In the year ended September 30, 2022, the Foodbank disposed of \$748,645 of property and equipment, of which \$310,666 was not fully depreciated and resulted in a loss of \$296,166 on the statement of activities.

In the year ended September 30, 2021, the Foodbank disposed of \$63,412 of property and equipment, of which \$8,764 was not fully depreciated and resulted in a loss of \$2,864 on the statement of activities.

4. Line of Credit

The Foodbank has a \$400,000 unsecured line of credit available through Community Bank, NA, which will mature in March 2024. The line of credit bears interest at the Wall Street Journal's Prime Floating Rate and is subject to a floor of 3.25%. The current interest rate as of September 30, 2022 was 6.25%. There was no amount outstanding under the line-of-credit agreement as of September 30, 2022 and 2021.

5. Board Designated Net Assets Without Donor Restrictions

The Board designated \$10,000,000 for COVID hunger response, from the tremendous support of donors after the COVID-19 virus outbreak. The Foodbank will continue to release these funds as needed to cover expenses of COVID hunger response.

The Board also designated \$300,000 of unrestricted net assets as being reserved for the long-term support of the Foodbank.

The total Board designated net assets were \$10,300,000 at September 30, 2022 and 2021.

6. Net Assets With Donor Restrictions

Net assets were restricted by donors for the following purposes at September 30:

	<u>2022</u>	<u>2021</u>
Capital projects	\$ 597,945	\$3,694,913
Various programs	<u>3,031,221</u>	<u>960,383</u>
Total net assets with donor restrictions	<u>\$3,629,166</u>	<u>\$4,655,296</u>

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

6. Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions were for the following purposes during the years ended September 30:

	<u>2022</u>	<u>2021</u>
Capital projects	\$3,109,467	\$331,471
Various programs	<u>411,936</u>	<u>946,796</u>
Total net assets released from restrictions	<u>\$3,521,403</u>	<u>\$1,278,267</u>

7. Operating Leases

The Foodbank leases several trucks under 24-96 month operating leases with ending dates ranging from July 2022 to April 2030. Base charges are approximately \$2,292 per month plus \$.084 - \$.0978 per mile plus \$.84 - \$1.34 per refrigeration unit hour. Maintenance is provided by the lessor. The base and mileage charges are subject to annual inflation increases. Total costs for these leases during the fiscal years ended September 30, 2022 and 2021, were \$256,152 and \$204,404, respectively.

The Foodbank has a 3-year, non-cancelable lease for office and distribution space in Brattleboro, Vermont, with monthly payments of \$11,948 through September 2022, and increasing the following year through September 2024. In addition to the monthly rent for Brattleboro, if the cost of utilities exceeds the percentages stipulated in the rental agreements, the Foodbank is liable for their portion of the expenses.

The Foodbank has a 5-year non-cancelable lease, with an option to renew the lease for an additional 5-year term, for warehouse space in Rutland, Vermont, with minimum monthly rental payments of \$9,712, plus additional CAM charges, through September 2022, and increasing each year thereafter through September 2024. Total facilities rent expense was approximately \$428,470 and \$290,560 for the years ended September 30, 2022 and 2021, respectively.

The Foodbank also has four different non-cancelable leases for their onsite copiers that expire at various dates through February 2024. Those leases require the Foodbank to pay a fixed monthly fee, as well as a cost per image copied. Total expense related to the copier leases was \$13,674 and \$17,344 for the years ended September 30, 2022 and 2021, respectively.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

7. Operating Leases (Continued)

Future minimum lease payments under operating leases are as follows for the years ending September 30:

	Facilities	Vehicles	Equipment	Total
2023	\$384,300	\$ 285,935	\$ 9,111	\$ 679,346
2024	328,855	275,740	3,159	607,754
2025	-0-	261,604	-0-	261,604
2026	-0-	205,679	-0-	205,679
2027	-0-	168,223	-0-	168,223
Thereafter	-0-	258,221	-0-	258,221
	<u>\$713,155</u>	<u>\$1,455,402</u>	<u>\$ 12,270</u>	<u>\$2,180,827</u>

8. Retirement Plan

The Foodbank maintains a 403(b) Thrift Plan that covers substantially all employees. There is no minimum age or service requirements for employees to make contributions to the plan. The Foodbank may elect to contribute to the plan annually.

For fiscal year 2022, the Foodbank contributed 3.0% of salaries to the retirement accounts of all eligible employees. Retirement expense was \$119,796 and \$97,354 for the years ended September 30, 2022 and 2021, respectively.

9. Commitments and Contingencies

As part of its "Certified Affiliate Agreement" with Feeding America, the Foodbank has agreed to operate its food donation and distribution system under certain industry standard procedures and to undergo biennial reviews. That agreement also requires the Foodbank to maintain cash reserves in an amount equaling at least three months of anticipated operating costs or to demonstrate a positive working capital in the previous fiscal year.

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of funds to grantors. Although that is a possibility, management deems the contingency remote, since by accepting the awards and their terms; it has accommodated the objectives of the organization to the provisions of the grant.

10. USDA Food Programs

The Foodbank receives food from the USDA to support two programs – The Emergency Food Assistance Program (TEFAP) through the Vermont Department of Education, and the Commodity Supplemental Food Program (CSFP) through the Vermont Department of Disabilities, Aging and Independent Living.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

10. USDA Food Programs (Continued)

The Foodbank also receives monetary funding through the same agencies to offset some of the program and administrative costs.

Federal support under these programs is summarized as follows for the year ended September 30, 2022:

	<u>TEFAP</u>	<u>CSFP</u>	<u>Total</u>
USDA food:			
Value of food in opening inventory	\$ 383,281	\$ 235,430	\$ 618,710
Value of food received	1,791,569	1,121,395	2,912,964
Value of food distributed	<u>(1,759,466)</u>	<u>(1,078,019)</u>	<u>(2,837,485)</u>
Value of food in ending inventory	<u>\$ 415,383</u>	<u>\$ 278,806</u>	<u>\$ 694,189</u>
Federal expenditures:			
Value of food distributed	\$1,759,466	\$1,078,019	\$2,837,485
Monetary support received and expended	<u>335,911</u>	<u>189,150</u>	<u>525,061</u>
Total federal expenditures under these Programs	<u>\$2,095,377</u>	<u>\$1,267,169</u>	<u>\$3,362,546</u>

11. Available Resources and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use to non-operating expenditures, within one year of the statement of financial position date, comprise the following at September 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 738,996	\$ 365,023
Contributions receivable	2,126,901	1,116,141
Grants receivable	4,635,591	228,063
Less donor restrictions	<u>(3,629,166)</u>	<u>(312,789)</u>
Total financials assets available for general expenditures within one year	<u>\$ 3,872,322</u>	<u>\$ 1,396,438</u>

The Foodbank also has a \$400,000 line of credit available if needed for liquidity needs.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2022

12. Donated Food and In-Kind Contributions

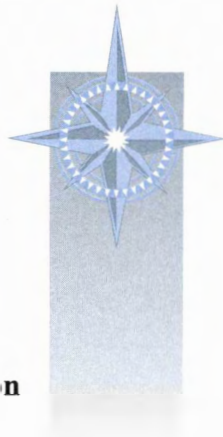
The Foodbank received donated food of \$13,016,327 and \$13,573,613 for the years ended September 30, 2022 and 2021, respectively. Donated food is used in program services and was valued based on the estimated fair market value of \$1.79 and \$1.74 per pound as determined by Feeding America for the years ended September 30, 2022 and 2021, respectively.

The Foodbank received a variety of supplies and discounted fees with an estimated fair market value of \$49,984 and \$108,216, for the years ended September 30, 2022 and 2021, respectively.

All in-kind contributions received by the Foodbank for the years ended September 30, 2022 and 2021 were considered without donor restrictions and able to be used by the Foodbank as determined by management and the Board of Directors. The Foodbank used and/or distributed all the in-kind contributions in its program services.

13. Subsequent Events

The Foodbank has evaluated subsequent events after the statement of financial position date of September 30, 2022, through January 23, 2023, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were required.



**Independent Auditors' 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 Auditors' Report

To the Officers and Directors
Vermont Foodbank
Barre, Vermont

We have audited, in accordance with the 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 Vermont Foodbank (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2022, 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 January 24, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vermont Foodbank's internal control over financial reporting (internal control) to determine the 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 Vermont Foodbank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Vermont Foodbank'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vermont Foodbank'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 determination of 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boisselle, Morton & Wolkowicz, LLP

Hadley, Massachusetts
January 24, 2023