

AUDITED FINANCIAL STATEMENTS

VERMONT FOODBANK

Barre, Vermont

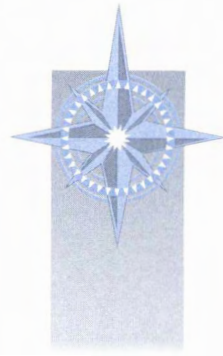
September 30, 2023

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, 2023, 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, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, 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 22, 2024, 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 22, 2024

VERMONT FOODBANK
Statement of Financial Position
September 30, 2023
(with comparative totals for September 30, 2022)

	2023	2022
<u>Assets</u>		
Current assets		
Cash	\$ 459,111	\$ 738,996
Contributions receivable	1,100,309	2,126,901
Grants receivable	236,449	4,635,591
Accounts receivable	100,813	
Inventory	2,562,413	1,676,175
Prepaid expenses	86,467	88,077
Total current assets	4,545,562	9,265,740
Investments	20,073,469	20,426,176
Right-of-use asset	1,262,460	
Property and equipment, net	9,864,885	7,624,683
Total assets	\$ 35,746,376	\$ 37,316,599
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 604,968	\$ 1,064,745
Accrued expenses	404,772	356,599
Lease liability, current portion	501,831	
Total current liabilities	1,511,571	1,421,344
Lease liability, net of current portion	760,629	
Total liabilities	2,272,200	1,421,344
Net assets		
Without donor restrictions		
Undesignated	17,510,274	14,341,406
Property and equipment	9,864,885	7,624,683
Board designated	5,300,000	10,300,000
Total net assets without donor restrictions	32,675,159	32,266,089
With donor restrictions	799,017	3,629,166
Total net assets	33,474,176	35,895,255
Total liabilities and net assets	\$ 35,746,376	\$ 37,316,599

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

VERMONT FOODBANK
Statement of Activities
Year Ended September 30, 2023
(with comparative totals for the year ended September 30, 2022)

	Without Donor Restrictions			With Donor Restrictions	2023	2022
	Foodbank	Donated Food	Total		Total	Total
Operating support and revenue						
Food donations and USDA food received		\$ 17,932,261	\$ 17,932,261		\$ 17,932,261	\$ 15,897,349
Contributions	\$ 9,616,626		9,616,626	\$ 163,000	9,779,626	11,141,430
Grant income	4,185,282		4,185,282	95,000	4,280,282	9,115,547
Sales of purchased food	2,031,603		2,031,603		2,031,603	
Interest income - operations	259,669		259,669		259,669	43,758
Other revenue	123,144		123,144		123,144	115,823
In-kind contributions	37,334		37,334		37,334	49,984
Membership and delivery fees	17,000		17,000		17,000	
Net assets released from restrictions	2,582,065		2,582,065	(2,582,065)		
Total operating support and revenue	<u>18,852,723</u>	<u>17,932,261</u>	<u>36,784,984</u>	<u>(2,324,065)</u>	<u>34,460,919</u>	<u>36,363,891</u>
Operating expenses						
Program	15,651,063	17,208,873	32,859,936		32,859,936	30,935,583
Administration	1,666,251		1,666,251		1,666,251	1,581,100
Fundraising	2,655,369		2,655,369		2,655,369	2,333,287
Total operating expenses	<u>19,972,683</u>	<u>17,208,873</u>	<u>37,181,556</u>		<u>37,181,556</u>	<u>34,849,970</u>
Change in net assets, operations	<u>(1,119,960)</u>	<u>723,388</u>	<u>(396,572)</u>	<u>(2,324,065)</u>	<u>(2,720,637)</u>	<u>1,513,921</u>
Non-operating income (expense)						
Capital grants and gifts	165,669		165,669		165,669	668,740
Net assets released for capital purchases	506,084		506,084	(506,084)		
Investment income - non-operating	227,516		227,516		227,516	189,065
Investment management fees	(51,821)		(51,821)		(51,821)	(44,103)
Net unrealized gain (loss) on investments	249,855		249,855		249,855	(1,377,346)
Net realized gain (loss) on sale of investments	32,944		32,944		32,944	(55,483)
Net loss on disposal of equipment						(296,166)
Depreciation	(324,605)		(324,605)		(324,605)	(315,927)
Total non-operating income (expense)	<u>805,642</u>		<u>805,642</u>	<u>(506,084)</u>	<u>299,558</u>	<u>(1,231,220)</u>
Change in net assets	<u>(314,318)</u>	<u>723,388</u>	<u>409,070</u>	<u>(2,830,149)</u>	<u>(2,421,079)</u>	<u>282,701</u>
Net assets - beginning 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>
Net assets - end of year	<u>\$ 30,729,373</u>	<u>\$ 1,945,786</u>	<u>\$ 32,675,159</u>	<u>\$ 799,017</u>	<u>\$ 33,474,176</u>	<u>\$ 35,895,255</u>

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

VERMONT FOODBANK
Statement of Functional Expenses
Year Ended September 30, 2023
(with comparative totals for the year ended September 30, 2022)

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>2023 Total</u>	<u>2022 Total</u>
Value of donated food distributed	\$ 17,208,873			\$ 17,208,873	\$ 16,258,346
Employee compensation	4,811,612	\$ 1,323,125	\$ 1,404,800	7,539,537	6,709,855
Cost of food purchased	4,410,440			4,410,440	4,649,842
Other program expenses	3,755,216			3,755,216	3,245,572
Fundraising expenses			834,460	834,460	762,568
Vehicle lease and operating costs	471,892			471,892	468,017
Warehouse supplies	426,575			426,575	474,073
Contracted labor expense	340,823		71,877	412,700	504,973
Building and grounds maintenance	351,030	8,552	7,369	366,951	418,606
Office expenses	225,587	53,607	85,376	364,570	281,452
Professional services	49,204	224,827	7,642	281,673	221,461
Inbound freight	205,944			205,944	206,110
Agency relations	161,968			161,968	81,654
Utilities	148,598	5,849	5,040	159,487	139,874
Bad debt expense			150,000	150,000	
Training, conferences and education	77,643	15,420	26,764	119,827	114,120
Other supporting services	52,977	15,869	23,108	91,954	93,912
Insurance	80,615	3,501	5,818	89,934	82,475
Public relations	19,410	2,564	25,903	47,877	59,912
In-kind expenses	37,334			37,334	49,984
Travel	24,195	1,595	7,212	33,002	18,118
Board expense		11,342		11,342	9,046
Total expenses before depreciation	<u>32,859,936</u>	<u>1,666,251</u>	<u>2,655,369</u>	<u>37,181,556</u>	<u>34,849,970</u>
Depreciation	<u>290,673</u>	<u>18,227</u>	<u>15,705</u>	<u>324,605</u>	<u>315,927</u>
Total expenses	<u>\$ 33,150,609</u>	<u>\$ 1,684,478</u>	<u>\$ 2,671,074</u>	<u>\$ 37,506,161</u>	<u>\$ 35,165,897</u>

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

VERMONT FOODBANK
Statement of Cash Flows
Year Ended September 30, 2023
(with comparative totals for the year ended September 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from contributions and grants	\$ 19,485,642	\$ 14,838,689
Cash received from food sales	1,930,790	
Cash received from fees and other programs	123,144	115,823
Cash paid for compensation and related expenses	(7,491,364)	(6,553,080)
Cash paid to suppliers	(8,154,323)	(6,325,638)
Cash paid for food inventory	(4,410,440)	(4,649,842)
Interest received	787	503
Interest paid	(489)	(327)
Net cash provided (used) by operating activities	<u>1,483,747</u>	<u>(2,573,872)</u>
Cash flows from investing activities		
Proceeds from sales of investments	2,827,745	25,316,785
Purchases of investments	(2,192,239)	(19,060,470)
Proceeds from sales of property and equipment		14,500
Purchases of property and equipment	(2,564,807)	(3,991,710)
Net cash (used) provided by investing activities	<u>(1,929,301)</u>	<u>2,279,105</u>
Cash flows from financing activities		
Capital grants and gifts	165,669	668,740
Borrowings on line of credit	694,611	(1,012,511)
Repayments on line of credit	(694,611)	1,012,511
Net cash provided by financing activities	<u>165,669</u>	<u>668,740</u>
Net (decrease) increase in cash	(279,885)	373,973
Cash - beginning of year	<u>738,996</u>	<u>365,023</u>
Cash - end of year	<u>\$ 459,111</u>	<u>\$ 738,996</u>
<u>Supplemental disclosures of non-cash operating and investing activities:</u>		
Donated food received	\$ 17,932,261	\$ 15,897,349
Donated food distributed	(17,208,873)	(16,258,346)
Donated in-kind support and expense	(37,334)	(49,984)

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

VERMONT FOODBANK
Notes to the Financial Statements
September 30, 2023

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 approximately 12,600,000 pounds (gross weight) of donated and purchased food products in the year ended September 30, 2023, 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 \$0.08 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 were waived in fiscal years 2023 and 2022.

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, 2023

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. 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.

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 receivables 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 of cost or net realizable value. 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 \$1.92 and USDA at \$1.53 per pound in 2023). 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.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2023

1. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued): 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). 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 10 and 40 years for building and building improvements; 3 to 10 years for furniture, fixtures and office equipment and warehouse equipment; and 7 years for vehicles. 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.

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, 2023

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 700 volunteers donated 7,200 hours of services to the Foodbank for the year ended September 30, 2023. 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.

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.

Comparative Totals: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended September 30, 2022.

New Accounting Standards: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*.

The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2023

1. Summary of Significant Accounting Policies (Continued)

New Accounting Standards: The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Foodbank elected to adopt these ASUs effective October 1, 2022. The Foodbank elected the package of practical expedients permitted under the transition guidance within the new standard.

Change in Accounting Principles: The Foodbank leases several trucks as well as office and warehouse spaces. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

The operating leases are included in ROU asset and the lease liability in the statement of financial position. ROU asset represents the Foodbank's right to use the underlying asset for the lease term, and lease liability represent the obligation to make lease payments. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Foodbank used a risk free rate equal to 4.00% to approximate the two-year, five-year and seven-year treasury rate as of October 1, 2022 (4.22%, 4.06%, and 3.97%, respectively) depending on remaining lease term to determine the present value of lease payments, since the leases' implicit rates were not available at lease commencement.

ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foodbank's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise the option.

The adoption had a material impact on the Foodbank's balance sheet but did not have a material impact on the income statement. The most significant impact was the recognition of an ROU asset and lease liability for the operating leases. Adoption of the standard required the Foodbank to restate amounts as of October 1, 2022, resulting in an increase in operating lease ROU assets of \$1,750,521, an increase in lease liabilities, current of \$488,061, and an increase in lease liabilities, long-term of \$1,262,460 (see Note 7).

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2023

2. Investments

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

	<u>2023</u>	<u>2022</u>
Cash and sweep balances	\$ 8,613,918	\$10,357,762
U.S. Treasury securities	2,968,298	2,910,775
Mutual funds of bonds	5,697,303	4,187,841
Mutual funds of domestic equities	1,602,093	1,946,274
Mutual funds of international equities	998,749	831,071
Certificates of deposit	<u>193,108</u>	<u>192,453</u>
	<u>\$20,073,469</u>	<u>\$20,426,176</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$227,516	\$ 189,065
Realized gain (loss) on sale of investments	32,944	(55,483)
Investment fees	<u>(51,821)</u>	<u>(44,103)</u>
Net investment income	<u>\$208,639</u>	<u>\$ 89,479</u>
Net unrealized gain (loss) on investments	<u>\$249,855</u>	<u>\$(1,377,346)</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>2023</u>	<u>2022</u>
Land, building and improvements	\$11,509,970	\$ 9,313,540
Furniture, fixtures and office equipment	694,402	509,282
Warehouse equipment	845,178	779,353
Vehicles	<u>643,721</u>	<u>595,959</u>
	13,693,271	11,198,134
Less accumulated depreciation	<u>3,828,386</u>	<u>3,573,451</u>
Property and equipment, net	<u>\$ 9,864,885</u>	<u>\$ 7,624,683</u>

Depreciation expense was \$324,605 and \$315,927 for the years ended September 30, 2023 and 2022, respectively.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2023

3. Property and Equipment (Continued)

In the year ended September 30, 2023, the Foodbank disposed of \$69,669 of property and equipment that was fully depreciated and resulted in no gain or loss on the statement of activities.

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.

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, 2023 was 8.50%. There was no amount outstanding under the line-of-credit agreement as of September 30, 2023 and 2022.

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.

During the year ended September 30, 2023, \$5,000,000 was released for operating expenses.

The total Board designated net assets were \$5,300,000 and \$10,300,000 at September 30, 2023 and 2022, respectively.

6. Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Capital projects	\$101,861	\$ 597,945
Various programs	<u>697,156</u>	<u>3,031,221</u>
Total net assets with donor restrictions	<u>\$799,017</u>	<u>\$3,629,166</u>

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2023

6. Net Assets With Donor Restrictions (Continued)

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

	<u>2023</u>	<u>2022</u>
Capital projects	\$ 506,084	\$3,109,467
Various programs	<u>2,582,065</u>	<u>411,936</u>
Total net assets released from restrictions	<u>\$3,088,149</u>	<u>\$3,521,403</u>

7. Operating Leases

As disclosed in Note 1, the Foodbank adopted FASB ASC 842 as of October 1, 2022. Because the following leases are operating leases with approximately equal monthly payments during their lives, the adoption of this standard had no impact on the results of operations. Variable lease payments such as those for mileage, refrigeration usage, or common area maintenance (CAM) charges are excluded from the measurement of the ROU asset and lease liability.

The Foodbank leases several trucks under 24- to 96-month operating leases with ending dates ranging from February 2024 to April 2030. Aggregate base monthly expense for these leases is approximately \$20,000 and the weighted average remaining lease term is 4.4 years. Additional charges range from \$0.0858 to \$0.0978 per mile and \$0.9065 to \$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 years ended September 30, 2023 and 2022, were \$268,650 and \$256,152, respectively.

The Foodbank has a 5-year, non-cancelable lease for office and distribution space in Brattleboro, Vermont, with monthly payments of approximately \$12,500 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 also 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 approximately \$13,500, plus additional CAM charges, through September 2024. Total facilities rent expense was approximately \$381,711 and \$428,470 for the years ended September 30, 2023 and 2022, respectively.

As of September 30, 2023, for the above leases, the ROU asset had a balance of \$1,262,460, the current portion of the lease liability is included in current liabilities with a balance of \$501,831, and the remaining long-term portion has a balance of \$760,629. The present value of the ROU asset and lease liability were calculated utilizing a discount rate of 4.00% to approximate the treasury rate over the life of the leases as of October 1, 2022.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2023

7. Operating Leases (Continued)

Approximate future maturities of the lease liability are as follows for the years ending September 30:

2024	\$ 501,831
2025	182,693
2026	190,314
2027	140,568
2028	102,334
Thereafter	<u>144,720</u>
Total	<u>\$1,262,460</u>

The Foodbank also has one non-cancelable lease for their onsite copier that expires in February 2024. The lease requires the Foodbank to pay a fixed monthly fee, as well as a cost per image copied. The Foodbank also has three copier leases on a month to month basis. The Foodbank chose not to capitalize the ROU and lease liability associated with these leases as they would not have a material impact to the financial statements. Total expense related to the copiers was \$11,953 and \$13,674 for the years ended September 30, 2023 and 2022, respectively.

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 2023, the Foodbank contributed 3.0% of salaries to the retirement accounts of all eligible employees. Retirement expense was \$130,119 and \$119,796 for the years ended September 30, 2023 and 2022, 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.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2023

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.

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, 2023:

	<u>TEFAP</u>	<u>CSFP</u>	<u>Total</u>
USDA food:			
Value of food in opening inventory	\$ 415,383	\$ 278,806	\$ 694,189
Value of food received	2,445,137	955,000	3,400,137
Value of food distributed	<u>(2,165,825)</u>	<u>(850,690)</u>	<u>(3,016,515)</u>
Value of food in ending inventory	<u>\$ 694,695</u>	<u>\$ 383,116</u>	<u>\$ 1,077,811</u>
	<u>TEFAP</u>	<u>CSFP</u>	<u>Total</u>
Federal expenditures:			
Value of food distributed	\$2,165,825	\$ 850,690	\$3,016,515
Monetary support received and expended	<u>372,836</u>	<u>198,820</u>	<u>571,656</u>
Total federal expenditures under these Programs	<u>\$2,538,661</u>	<u>\$1,049,510</u>	<u>\$3,588,171</u>

11. Donated Food and In-Kind Contributions

The Foodbank received donated food of \$14,613,572 and \$13,016,327 for the years ended September 30, 2023 and 2022, respectively. Donated food is used in program services and was valued based on the estimated fair market value of \$1.92 and \$1.79 per pound as determined by Feeding America for the years ended September 30, 2023 and 2022, respectively.

The Foodbank received a variety of supplies and discounted fees with an estimated fair market value of \$37,334 and \$49,984, for the years ended September 30, 2023 and 2022, respectively.

All in-kind contributions received by the Foodbank for the years ended September 30, 2023 and 2022 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.

VERMONT FOODBANK
Notes to the Financial Statements (Continued)
September 30, 2023

12. Available Resources and Liquidity

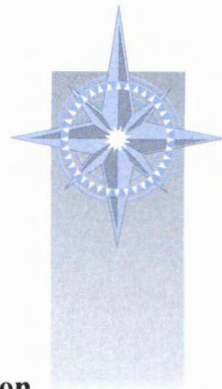
Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use to non-operating expenditures, within one year of the statement of financial position date, comprise the following at September 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 459,111	\$ 738,996
Contributions receivable	1,100,309	2,126,901
Grants receivable	236,449	4,635,591
Accounts receivable	100,813	
Less donor restrictions	<u>(799,017)</u>	<u>(3,629,166)</u>
Total financials assets available for general expenditures within one year	<u>\$ 1,097,665</u>	<u>\$ 3,872,322</u>

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

13. Subsequent Events

The Foodbank has evaluated subsequent events after the statement of financial position date of September 30, 2023, through January 22, 2024, 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, 2023, 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 22, 2024.

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 22, 2024