

Audited Financial Statements

Feeding America West Michigan

*Year Ended December 31, 2023
with Report of Independent Auditors
and Summarized Comparative
Financial Information for the
Year Ended December 31, 2022*



ANDREWS HOOPER PAVLIK PLC

Feeding America West Michigan

Audited Financial Statements

Year Ended December 31, 2023

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Report of Independent Auditors

Board of Directors
Feeding America West Michigan
Comstock Park, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Feeding America West Michigan (a not-for-profit organization), which comprise the statement of financial position as of December 31, 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 Feeding America West Michigan as of December 31, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audit 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 America West Michigan 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 the financial statements in accordance with U.S. GAAP, 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 Feeding America West Michigan's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 America West Michigan'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 America West Michigan'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 Feeding America West Michigan's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the

year ended December 31, 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 May 10, 2024 on our consideration of Feeding America West Michigan'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 America West Michigan'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 America West Michigan's internal control over financial reporting and compliance.

Andrews Hooper Paulik PLC

Grand Rapids, Michigan
May 10, 2024

Feeding America West Michigan

Statement of Financial Position

December 31, 2023

(with Summarized Comparative Totals for 2022)

	December 31	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,493,061	\$ 8,663,620
Short-term investments	5,184,541	-
Accounts receivable, net of allowance for credit losses of \$2,000 for 2023 and 2022	751,609	449,406
Interest receivable	32,636	-
Pledges receivable, current	572,755	784,273
Prepaid expenses	94,510	108,187
Inventory, at donated value	3,321,379	2,446,154
Inventory, at purchased cost	349,856	526,988
Total current assets	13,800,347	12,978,628
Beneficial interest in perpetual endowment	1,252,482	1,106,216
Pledges receivable, net of current portion and discount	60,852	434,451
Property and equipment, net	12,904,317	10,180,414
Right-of-use assets	74,765	514,024
Total assets	\$ 28,092,763	\$ 25,213,733
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 231,418	\$ 244,003
Accrued expenses	364,927	272,914
Deferred revenue	88,186	108,030
Security deposit payable	1,000	3,000
Lease liability, current	37,579	78,795
Total current liabilities	723,110	706,742
Lease liability, net of current portion	37,186	435,229
Net assets:		
Without donor restrictions:		
Undesignated	17,801,257	16,354,588
Board designated	340,000	340,000
With donor restrictions	9,191,210	7,377,174
Total net assets	27,332,467	24,071,762
Total liabilities and net assets	\$ 28,092,763	\$ 25,213,733

See accompanying notes.

Feeding America West Michigan

Statement of Activities

Year Ended December 31, 2023
(with Summarized Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
Revenue and public support				
Administrative fees charged to agencies, including donations applied to agency accounts of \$1,065,113 in 2023 and \$1,391,077 in 2022	\$ 1,554,758	\$ -	\$ 1,554,758	\$ 1,791,203
Administrative fees charged to agencies on purchased products, net of cost of \$3,086,326 in 2023 and \$2,002,691 in 2022	686,810	-	686,810	400,340
Federal grants	494,116	-	494,116	-
Federal Emergency Management Agency	-	152,382	152,382	228,772
Contributions	4,685,344	3,082,535	7,767,879	11,009,940
Food Bank Council of Michigan	982,803	-	982,803	849,858
Rental income	280,288	-	280,288	417,335
In-kind contributions	700	-	700	25,542
Investment return (loss), net of fees	277,457	146,266	423,723	(196,599)
Gain (loss) on sale of property and equipment	8,266	-	8,266	(889)
Miscellaneous income	108,631	-	108,631	67,250
	9,079,173	3,381,183	12,460,356	14,592,752
Net assets released from restriction	1,567,147	(1,567,147)	-	-
Total revenue and public support	10,646,320	1,814,036	12,460,356	14,592,752
Expenses				
Program services	7,129,470	-	7,129,470	7,363,174
Supporting services:				
Management and general	1,098,784	-	1,098,784	897,185
Fundraising	1,348,920	-	1,348,920	1,075,481
Total expenses	9,577,174	-	9,577,174	9,335,840
Change in net assets prior to products donated, culled, and distributed	1,069,146	1,814,036	2,883,182	5,256,912
Products donated, culled, and distributed:				
In-kind product donations	41,953,567	-	41,953,567	36,215,819
Value of products culled and distributed	(41,576,044)	-	(41,576,044)	(39,393,808)
Excess (deficiency) of products donated over products distributed	377,523	-	377,523	(3,177,989)
Change in net assets	1,446,669	1,814,036	3,260,705	2,078,923
Net assets – beginning of year	16,694,588	7,377,174	24,071,762	21,992,839
Net assets – end of year	\$ 18,141,257	\$ 9,191,210	\$ 27,332,467	\$ 24,071,762

See accompanying notes.

Feeding America West Michigan

Statement of Functional Expenses

Year Ended December 31, 2023
(with Summarized Comparative Totals for 2022)

	Program Services	Supporting Services		Totals	
		Management and General	Fund- raising	2023	2022
Compensation and related expenses:					
Salaries and wages	\$ 2,545,461	\$ 641,857	\$ 474,162	\$ 3,661,480	\$ 3,409,680
Payroll taxes	193,397	48,767	36,025	278,189	242,907
Health and life insurance	532,666	134,315	99,224	766,205	658,504
Pension	144,222	36,367	26,865	207,454	194,322
Total compensation and related expenses	3,415,746	861,306	636,276	4,913,328	4,505,413
Conferences and travel	22,222	5,257	10,807	38,286	19,785
Contractual services	78,018	59,923	53,937	191,878	202,548
Depreciation	679,443	17,880	17,880	715,203	625,810
Direct marketing	-	-	445,424	445,424	354,550
Donations applied to agency accounts	1,065,113	-	-	1,065,113	1,391,077
Dues, fees, and subscriptions	71,818	19,059	5,137	96,014	112,845
Equipment and improvements	90,653	-	-	90,653	105,403
Food and storage costs	47,102	-	-	47,102	83,775
Freight in	71,645	-	-	71,645	97,279
Insurance – property and casualty	153,057	4,029	4,029	161,115	127,296
Insurance – workers’ compensation	34,435	8,684	6,415	49,534	48,546
Maintenance and property taxes	207,615	-	-	207,615	254,832
Office and operating supplies	159,850	68,977	7,638	236,465	239,884
Printing and promotion	3,334	34,844	143,015	181,193	108,618
Rent	47,157	9,519	9,519	66,195	73,784
Rubbish removal	43,364	-	-	43,364	42,637
Telephone	44,085	1,391	928	46,404	46,119
Travel and truck	711,230	3,085	3,085	717,400	706,815
Utilities	183,583	4,830	4,830	193,243	188,824
Total expenses	\$ 7,129,470	\$ 1,098,784	\$ 1,348,920	\$ 9,577,174	\$ 9,335,840

See accompanying notes.

Feeding America West Michigan

Statement of Cash Flows

Year Ended December 31, 2023
(with Summarized Comparative Totals for 2022)

	Year Ended December 31	
	2023	2022
Operating activities		
Change in net assets	\$ 3,260,705	\$ 2,078,923
Adjustments to reconcile change in net assets to net cash from operating activities:		
Deficiency (excess) of products donated over products distributed	(377,523)	3,177,989
Depreciation	715,203	625,810
Loss (gain) on sale of property and equipment	(8,266)	889
Credit loss expense	-	473
Change in beneficial interest in perpetual endowment	(146,266)	198,870
Contribution revenue for endowment	-	(6,250)
Change in operating assets and liabilities:		
Accounts receivable	(302,203)	80,999
Interest receivable	(32,636)	-
Pledges receivable	585,117	(931,582)
Prepaid expenses	13,677	(31,583)
Inventory	(320,570)	(591,496)
Accounts payable	(12,585)	91,331
Accrued expenses	92,013	50,965
Deferred revenue	(19,844)	(4,417)
Security deposit payable	(2,000)	(8,000)
Net cash from operating activities	3,444,822	4,732,921
Investing activities		
Purchase of short-term investments	(11,214,125)	-
Proceeds from maturity of short-term investments	6,029,584	-
Purchase of property and equipment	(3,442,840)	(968,490)
Proceeds from sale of property and equipment	12,000	5,250
Net cash from investing activities	(8,615,381)	(963,240)
Financing activities		
Transfer of cash to endowment	-	(6,250)
Contributions restricted for endowment	-	6,250
Net cash from financing activities	-	-
Net change in cash and cash equivalents	(5,170,559)	3,769,681
Cash and cash equivalents – beginning of year	8,663,620	4,893,939
Cash and cash equivalents – end of year	\$ 3,493,061	\$ 8,663,620
Supplemental cash flow information:		
In-kind contributions	\$ 700	\$ 25,542
Lease liability arising from obtaining right-of-use assets	\$ -	\$ 504,766

See accompanying notes.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Feeding America West Michigan (Feeding America), formerly known as Feeding America West Michigan Food Bank, is incorporated as a not-for-profit organization. Feeding America receives donations of food from farmers, wholesalers, and food processors. The food is distributed to social and religious agencies who are charged a normal administrative fee up to 18 cents per pound depending on the type of product received. In addition to the administrative fee charged, Feeding America receives donations and grants from individuals; social, business, and community groups; and governmental agencies.

Adoption of New Accounting Standard

On January 1, 2023, Feeding America adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended (ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including accounts receivable. Such assets are presented at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

Feeding America adopted ASC 326 using the modified retrospective method. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of this new standard did not have a significant impact on Feeding America.

Method of Accounting

The records of Feeding America are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Financial Statement Presentation and Net Asset Classification

Feeding America reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Feeding America. These net assets may be used at the discretion of Feeding America’s management and the board of directors. During the years ended December 31, 2023 and 2022, board designated net assets included amounts designated for counties with higher food insecurity and expanding services to these areas. These board designated amounts are included in net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Feeding America or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified in the statement of activities from net assets with donor restrictions to net assets without donor restrictions. Funds restricted for capital asset related costs are released from restriction when the related asset is placed in service.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Feeding America utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, Feeding America is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value, as well as an indication of the level of the fair value hierarchy in which the assets and liabilities are classified. There have been no changes in the methodologies used as of December 31, 2023 and 2022.

- Cash and cash equivalents - The carrying amounts of cash held in deposit and savings accounts and money market funds held in brokerage accounts approximate fair value (Level 1 inputs).
- Investments - Investments consist of certificates of deposit and short-term U.S. Treasury bills. Certificates of deposit fair value is based on observable contract values (Level 1 inputs). The most recently issued U.S. Treasury bill of a given maturity is traded on active markets and assessed as a Level 1 investment, while any U.S. Treasury bill securities issued prior to the most recently issued security are not considered to be traded on active markets and are assessed as a Level 2 investment. All short-term treasury bills as of year-end were issued prior to the most recently issued short-term treasury bills.
- Beneficial interest in perpetual endowment - The beneficial interest in perpetual endowment fund at the Grand Rapids Community Foundation (Foundation) is measured at fair value on a recurring basis based on statements received from the Foundation that are measured and reported using significant unobservable inputs (Level 3 inputs).

Cash and Cash Equivalents and Concentration of Credit Risk

Feeding America maintains cash and cash equivalent balances in checking, savings, and brokerage accounts at several financial institutions. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution and the brokerage accounts are insured by the Securities Investor Protection Corporation up to \$500,000 per financial institution. From time to time during the year, Feeding America may have cash and cash equivalents in an account in excess of the federally insured limits, which as of December 31, 2023, there was approximately \$2,589,000 and approximately \$8,022,000 as of December 31, 2022.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Investments

Investments with initial maturities of three months or less are classified as cash and cash equivalents, and investments that mature within twelve months of year-end are classified as short-term investments. These investments are stated at fair value, based on quoted market prices using prevailing financial market information. Feeding America's investments consist of certificates of deposit and U.S. Treasury bills that were purchased during the year ended December 31, 2023. Investments are protected by the Securities Investor Protection Corporation up to \$500,000 per investor. As of December 31, 2023 and at times during the year then ended, Feeding America's investment balances may have exceeded the insured limits. Management believes that this exposure for Feeding America is subject to minimal risk.

Accounts Receivable, Allowance for Credit Losses, and Deferred Revenue

Feeding America grants credit in the normal course of business to social and religious agencies as the agencies purchase food. Ongoing credit evaluations of agency's financial condition are conducted and, generally, no collateral is required. Accounts receivables are stated at amortized cost net of the allowance for credit losses. Amortized cost is the principal balance outstanding net of charge-offs. The allowance for credit losses is an estimate of amounts that may not be collectible. Feeding America determines the need for an allowance for credit losses based on an evaluation of the accounts receivable, historical collection experience, and expectations about current and future economic conditions. Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged off against the allowance when the receivable is deemed uncollectible. Based on management's evaluation as of December 31, 2023, the estimate of allowance for credit losses remained at \$2,000, consistent with the allowance evaluation performed for the year ended December 31, 2022 under accounting guidance prior to the adoption of ASC 326.

In some instances, an agency overpays on their account, due to grant funding or other sources covering the agency's balance. These overpayments are recorded as deferred revenue.

Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period promised and as assets, decreases in liabilities, or expenses depending on the form of the benefits to be received. Unconditional pledges receivable are stated at the amount management expects to collect on outstanding balances, which is discounted to net present value. Management provides for probable uncollectible amounts through a valuation allowance based on management's assessment of the current status of individual accounts. When balances are deemed uncollectible, they are written off. No allowance was deemed necessary for the years ended December 31, 2023 and 2022.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of both purchased and donated food items. Purchased inventory is stated at cost using the first in, first out method. Donated inventory is stated at a standard per pound value based on an independent survey performed by an independent accounting firm. In addition, Feeding America receives United States Department of Agriculture (USDA) commodities donations. The USDA items in inventory as of December 31, 2023 and 2022 were valued based on a food-only amount per pound that was determined by the independent survey.

Property and Equipment

Property and equipment are carried at cost and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years. Feeding America capitalizes all expenditures for property and equipment in excess of \$5,000.

Donations of property and equipment are recorded at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, Feeding America reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Feeding America reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Leases and Right-of-Use Assets

Leases are classified as operating leases at the lease commencement date. Feeding America leases property and miscellaneous equipment discussed further in Note 8. Feeding America records leases on the statement of financial position in the form of a lease liability for the present value of future minimum payments under the lease terms and right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based on incremental borrowing rates Feeding America could obtain for similar loans as of the date of commencement or renewal. Feeding America does not record leases on the statements of financial position that are classified as short-term (less than one year) or that are not significant.

At lease inception, Feeding America determines the lease term by considering the minimum lease term and all optional renewal periods that Feeding America is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Leases and Right-of-Use Assets (continued)

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line basis and any impairment of the right-of-use asset. Rent expense is reported in the statement of activities as rent, for the property leases, or equipment and improvements, for the equipment leases.

Revenue and Public Support

Administrative Fees Charged to Agencies

Social and religious agencies place an order for food products with Feeding America and are assessed an administrative fee up to 18 cents per pound depending on the type of products purchased. The agency's order is charged to their account. Feeding America will review available funding, including federal or donated funds, to help offset the agency's cost.

The revenue from administrative fees is recognized at the point in time when Feeding America has fulfilled all performance obligations and the product is in the agency's possession. Products are shipped to customers "FOB destination," and ownership of the goods in transit remains with Feeding America, who bears the associated risk. In some cases, an agency will pick up the order from Feeding America, at which point the ownership and associated risks pass to the agency. Feeding America provides an invoice to the agency when the agency takes possession of the product and payment is typically due within 30 days. All of Feeding America's sales are final and returns or refunds are only allowed under unique circumstances. There are no warranties on the products purchased due to the nature of many of the products being donated, some of which may be at or near their printed expiration dates.

The following economic factors affect the nature, amount, timing, and uncertainty of Feeding America's revenue and cash flows as indicated:

- Overall health of the economy: Declines in the overall health of the economy will typically increase the need for food distribution.
- Food availability: The majority of the food distributed by Feeding America consists of donated products which may be received from grocers or farmers with an overabundance of products or from the federal government.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue and Public Support (continued)

Contributions and Grants

Contributions and grants received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. All contributions and grants with donor-imposed restrictions are recorded as with donor restrictions, even if the restriction is subsequently fulfilled in the same year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Conditional contributions and grants are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Feeding America had \$77,000 of conditional promises to give which had not been recognized as of December 31, 2023 (\$657,250 as of December 31, 2022). These gifts are contingent on Feeding America reaching a specified threshold for funds raised in the advancement campaign, or conditions related to the donor being able to fulfill the pledge amount, neither of which were obtained as of the date these statements were issued.

Rental Income

During the years ended December 31, 2023 and 2022, Feeding America held contracts to lease space to three tenants. Two tenants operated on a month-to-month basis (one of which ended in September 2023), while the other had a short-term lease that expired in October 2023 and continued on a month-to-month basis through year-end. As of December 31, 2023, there were two remaining tenants on a month-to-month basis. Rental income is recognized when rent is due from the tenants. The lease agreements state that monthly rental income is due on the first of each month for the upcoming month.

Receivable Concentrations

Approximately 64% of accounts receivable as of December 31, 2023 and approximately 56% as of December 31, 2022 were due from the Food Bank Council of Michigan. Additionally, approximately 41% of pledges receivable were due from two donors as of December 31, 2023 and approximately 48% of pledges receivable were due from three donors as of December 31, 2022.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable and consistent basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Compensation and related expenses	Time and effort
Depreciation	Square footage
Insurance – property and casualty	Square footage
Insurance – workers’ compensation	Time and effort
Rent	Time and effort
Travel and truck	Time and effort
Utilities	Square footage

Donated Services, Equipment, and Vehicles

Donated services are recognized as contributions, in accordance with U.S. GAAP, if the services either 1) create or enhance nonfinancial assets or require specialized skills, or 2) are performed by people with those skills and would otherwise be purchased by Feeding America. Unaudited records indicate that 15,080 hours of donated non-specialized services were provided to Feeding America during the year ended December 31, 2023 and 17,724 hours during the year ended December 31, 2022. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

It is Feeding America’s policy to record all donated equipment at fair market value and depreciate it over the remaining useful life of the asset. During the year ended December 31, 2022, Feeding America received a refrigerated trailer for food distribution and pallet jacks for the warehouse. During the years ended December 31, 2023 and 2022, Feeding America received electrical services provided for the new building and electrical setup for the administrative offices. In 2023, Feeding America received a donated lunch for a volunteer appreciation meal.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Donated Services, Equipment, and Vehicles (continued)

Total contributed non-financial assets recognized in the accompanying financial statements consisted of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Donated goods capitalized:		
Equipment	\$ -	\$ 10,000
Vehicles	-	15,000
Donated goods expensed:		
Food	450	-
Donated services expensed:		
Electrical services	250	542
Total donated goods and services	<u>\$ 700</u>	<u>\$ 25,542</u>

Income Taxes

Feeding America is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Feeding America evaluates tax positions taken on its Federal Exempt Organization Business Income Tax Returns in accordance with U.S. GAAP. Management believes that Feeding America has no significant unrecognized tax benefits under those criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses.

Generally, tax years from 2021 through the current year remain open to examination. Management does not believe that the results from any examination of these open years would have a material adverse effect on Feeding America.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events for potential recognition or disclosure in the financial statements through May 10, 2024, which is the date the financial statements were available to be issued.

Summarized Comparative Information

The 2023 financial statements include 2022 summarized comparative information that was derived from Feeding America West Michigan's 2022 audited financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Feeding America West Michigan's 2022 financial statements from which the summarized information was derived.

2. Liquidity and Availability

Feeding America has current assets available within one year of the statement of financial position date to meet cash needs for general expenditures. Donor or other contractual restrictions on current assets are expected to be fulfilled in the normal course of business within one year of the statement of financial position date. The receivables are subject to implied time restrictions but are expected to be collected within one year. Feeding America has a goal to maintain current assets to meet a minimum of 30 days of normal operating expenses, which requires maintaining cash and cash equivalents and receivables on hand of at least \$787,000. Feeding America also has a policy to structure its current assets to be available as its general expenditures, liabilities, and other obligations come due. In the event additional liquid resources are needed, Feeding America opened a \$4,000,000 line of credit in April 2024. See additional details related to the line of credit in Note 15.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

2. Liquidity and Availability (continued)

Feeding America had the following funds available for general expenditure for the twelve months following the year ended December 31:

	2023	2022
Cash and cash equivalents	\$ 3,493,061	\$ 8,663,620
Short-term investments	5,184,541	-
Accounts receivable	751,609	449,406
Interest receivable	32,636	-
Pledges receivable, current	572,755	784,273
	10,034,602	9,897,299
Restricted funds, not available for use:		
Agency grants	(640,516)	(551,187)
Future program use	(370,260)	(615,759)
Nourish Tomorrow campaign	(3,876,930)	(5,104,012)
	(4,887,706)	(6,270,958)
Total funds available within one year	\$ 5,146,896	\$ 3,626,341

3. Pledges Receivable

Pledges receivable consisted of the following as of December 31:

	2023	2022
Receivable in less than one year	\$ 572,755	\$ 784,273
Receivable in one to five years	69,013	456,562
Discount to net present value	(8,161)	(22,111)
	\$ 633,607	\$ 1,218,724

Pledges receivable were discounted using a fixed rate of 5.00% for the year ended December 31, 2023 and the IRS discount rate for the month the pledge was made, which ranged from 1.60% to 5.20%, for the year ended December 31, 2022.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

4. Donated Food Product

The value of the USDA food commodities and grant money received from the Federal Emergency Management Agency surpasses the threshold of federal financial assistance which requires the performance of an audit in accordance with Uniform Grant Guidance. Accordingly, Feeding America recorded the value of donated commodities received and commodities distributed and culled. All USDA commodities distributed were valued at an average food-only per pound price of \$1.57 in 2023 and \$1.53 in 2022. All other donated commodities recorded in inventory and in-kind product donations were valued at an average per pound price of \$1.93 in 2023 and \$1.92 in 2022. The average price per pound for all 2023 and 2022 products was determined by the results of an independent survey performed by an independent accounting firm, solely to assist in determining the approximate average wholesale value of one pound of donated product at the national level for each year.

5. Beneficial Interest in Perpetual Endowment Fund

Feeding America is the beneficiary under an agency endowment agreement administered by the Grand Rapids Community Foundation (Foundation), named the John Arnold Endowment Fund (Fund). Under this agreement, Feeding America is entitled to the earnings from the assets in perpetuity, but has no right to the principal. The fair market value of the underlying investment is recorded in Feeding America's statement of financial position. On an annual basis, the asset is revalued based on the changes in market value. This revaluation is treated as net assets with donor restrictions in the statement of activities. Distributions from the Fund are recorded as reductions to the beneficial interest in perpetual endowment asset in the statement of financial position. The fair market value was \$1,252,482 as of December 31, 2023 and \$1,106,216 as of December 31, 2022, including a spendable portion of \$525,281 as of December 31, 2023 and \$482,326 as of December 31, 2022 that is available upon request. No distributions were received from this fund during the years ended December 31, 2023 and 2022.

In addition to Feeding America's gifts to the Fund, individual donations have been made directly to the Fund. The Foundation confirms that the total market value of the donor portion of the Fund was \$164,867 as of December 31, 2023 and \$145,614 as of December 31, 2022, including a spendable portion of \$38,516 as of December 31, 2023 and \$32,371 as of December 31, 2022 that is available upon request. Distributions from this portion of the Fund are recorded as contributions with donor restriction in the statement of activities. Feeding America did not receive any distribution from this fund during the years ended December 31, 2023 and 2022. The Foundation was given variance power, which gives the Foundation the ability to control the use of the transferred assets. Therefore, in accordance with U.S. GAAP, the market value of these gifts is not reported as an asset on Feeding America's financial statements.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

6. Property and Equipment

Net property and equipment consisted of the following as of December 31:

	2023	2022
Land	\$ 1,501,750	\$ 1,501,750
Land improvements	179,880	179,880
Building and improvements	9,401,607	9,378,107
Furniture, equipment, and delivery vehicles	4,002,524	3,550,042
Construction in progress	3,051,022	126,337
	18,136,783	14,736,116
Accumulated depreciation	(5,232,466)	(4,555,702)
Property and equipment, net	\$ 12,904,317	\$ 10,180,414

7. Fair Value Measurement

Assets measured at fair value on a recurring basis were comprised of the following as of December 31:

	Fair Value	Level 1	Level 2	Level 3
2023				
Short-term investments:				
Certificate of deposit	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -
Short-term treasury bills	4,184,541	-	4,184,541	-
Beneficial interest in perpetual endowment	1,252,482	-	-	1,252,482
	\$ 6,437,023	\$ 1,000,000	\$ 4,184,541	\$ 1,252,482
2022				
Beneficial interest in perpetual endowment	\$ 1,106,216	\$ -	\$ -	\$ 1,106,216

Changes in Level 3 assets measured at fair value on a recurring basis:

Balance as of January 1, 2022	\$ 1,298,836
Transfer of funds to endowment	6,250
Total losses (realized/unrealized) included in investment return, net of fees	(198,870)
Balance as of December 31, 2022	1,106,216
Total gains (realized/unrealized) included in investment return, net of fees	146,266
Balance as of December 31, 2023	\$ 1,252,482

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

8. Operating Leases and Right-of-Use Assets

Property Leases

Feeding America leases business premises in Benton Harbor under a 7-year lease which began on March 1, 2010. The original lease term matured in February 2017 and with automatic annual renewals available for up to 20 additional 1-year terms. Subsequent to year-end, in March 2024, Feeding America entered into a new agreement, that supersedes the current arrangement, for a 3-year lease that will terminate on March 31, 2027, with automatic annual renewals available for up to 20 additional 1-year terms. As of December 31, 2023, management expects to occupy the property through March 31, 2027. As of December 31, 2022, management expected to execute all 20 of the renewal options through 2037 and therefore those terms were included in the lease liability calculation as of December 31, 2022.

The current lease requires monthly payments of \$3,000 per month plus expenses, and under the new lease beginning in April 2024 increases to \$4,000 per month. The lease includes an annual increase based on the consumer price index on each renewal term. Rent payments under this lease totaled approximately \$36,000 for the years ended December 31, 2023 and 2022.

Feeding America entered into a 40-month office lease that began in March 2021. The lease included four months rent free, and monthly rental rates at approximately \$2,100, which started in July 2021. The rental rates increase annually as outlined in the rental agreement until maturity in June 2024. The lease agreement includes two options to renew for two years each or the opportunity to go to a month-to-month arrangement. As of December 31, 2023 and 2022, management did not expect to execute the options to renew this lease. Rent payments under this lease totaled approximately \$25,700 for the year ended December 31, 2023 and \$25,300 for the year ended December 31, 2022.

Equipment Leases

Feeding America has two noncancelable operating leases for office equipment, including a postage machine and copier/printer, that expire in December 2026 and August 2027. Rental expenses for these equipment leases totaled approximately \$17,100 for the year ended December 31, 2023 and \$12,800 for the year ended December 31, 2022.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

8. Operating Leases and Right-of-Use Assets (continued)

Minimum Lease Payments

The following is a schedule of the minimum lease payments that will be paid under the lease agreements for the future years ending December 31:

2024	\$ 39,030
2025	17,071
2026	17,071
2027	8,488
Total lease payments	<u>81,660</u>
Imputed interest	<u>(6,895)</u>
Present value of lease liability	<u>\$ 74,765</u>

Right-of-Use Assets

As of December 31, 2023, the weighted-average discount rate for all leases was 4.42% (3.28% as of December 31, 2022) and the weighted-average remaining lease term was approximately 31 months (143 months as of December 31, 2022). Total right-of-use assets and lease liabilities of \$74,765 are recorded on the statement of financial position as of December 31, 2023 and \$514,024 as of December 31, 2022.

9. Debt

In September 2019, Feeding America opened a \$250,000 line of credit with a financial institution, which was closed in August 2023. Under the line of credit agreement, interest was charged at the financial institution's prime rate less 0.22%, effectively 8.03% when the line was closed, and 6.78% as of December 31, 2022. The line was secured by substantially all of Feeding America's assets. As of December 31, 2022, there were no outstanding draws on the line of credit.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

10. Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Funds to be applied to agencies	\$ 640,516	\$ 551,187
Funds for future program use	370,260	615,759
Nourish Tomorrow campaign	6,927,952	5,104,012
Endowment earnings for future program use	713,348	567,082
John Arnold Endowment Fund held at the Foundation	539,134	539,134
	<u>\$ 9,191,210</u>	<u>\$ 7,377,174</u>

During 2022, Feeding America launched the Nourish Tomorrow capital campaign to purchase and renovate a new headquarters and distribution center. The new facility will allow for expanded programming and distributions. Campaign expenditures began in 2022 and are reflected in the construction in progress balance, which is a component of net property and equipment, as disclosed in Note 6. In accordance with Feeding America's policy and as required by U.S. GAAP, restricted gifts for the capital campaign are not released from restriction until the capital assets are placed into service.

11. Endowment Funds

The board of directors established an endowment fund in the name of its former executive director, John M. Arnold, which was previously discussed in Note 5. Gifts that were explicitly restricted by the donor for the endowment fund are classified as net assets with donor restrictions. Feeding America has a specific dollar goal for the John Arnold Endowment Fund of \$15,000,000 for the purpose of generating annual operating revenue to prevent Feeding America from shifting its focus from food distribution to fundraising.

To achieve that objective, Feeding America has adopted a policy of investing endowment fund assets with the Foundation. The assets delivered to the Foundation constitute irrevocable gifts, so that whether the donor intent of the assets is with or without donor restrictions, upon receipt by the Foundation all assets so gifted are classified as net assets with donor restrictions. The Foundation assets are invested in well-diversified and managed asset mixes that are intended to result in a consistent inflation-projected rate of return that has sufficient liquidity to make periodic distributions while growing the fund, if possible. Donor-restricted assets are deposited temporarily in a separate bank account and transferred periodically to the Foundation. As of December 31, 2023 and 2022, all amounts received by Feeding America directly had been remitted to the Foundation.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

11. Endowment Funds (continued)

Endowment net asset composition by type of fund was as follows as of December 31:

	Without Donor Restrictions	With Donor Restrictions	Total
2023			
John Arnold Endowment Fund	\$ -	\$ 1,252,482	\$ 1,252,482
2022			
John Arnold Endowment Fund	\$ -	\$ 1,106,216	\$ 1,106,216

Changes in endowment net assets for the years ended December 31, 2023 and 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2022	\$ -	\$ 1,298,836	\$ 1,298,836
Contributions	-	6,250	6,250
Investment loss, net of fees	-	(198,870)	(198,870)
Endowment net assets, December 31, 2022	-	1,106,216	1,106,216
Investment gain, net of fees	-	146,266	146,266
Endowment net assets, December 31, 2023	\$ -	\$ 1,252,482	\$ 1,252,482

12. Related Party Transactions

Feeding America paid approximately \$450,600 for trucking services and leases during the year ended December 31, 2022 to a company whose president was a member of Feeding America's Board of Directors. There were no such costs incurred for the year ended December 31, 2023 due to the individual no longer being on the board.

13. Defined Contribution 403(b) Plan

Feeding America has a defined contribution 403(b) plan for all employees who meet the eligibility requirements. All accrued retirement plan expenses are fully funded and paid to a third-party trustee on a quarterly basis. Retirement plan expense was approximately \$207,500 for the year ended December 31, 2023 and \$194,000 for the year ended December 31, 2022.

Feeding America West Michigan

Notes to Financial Statements

December 31, 2023

14. Risks and Uncertainties

Feeding America is subject to various risks and uncertainties related to operations and financial performance. Feeding America utilizes a number of suppliers and vendors to fulfill business needs, and this exposes Feeding America to risks and uncertainties, including supply chain risks. These supply chain risks include availability of sources of food commodities for distribution and labor services, in addition to increases in prices. Due to the level of risk associated with the supply chain and other potential risks and uncertainties, it is at least reasonably possible these risks could have an impact in the near term and could materially affect the operations of Feeding America and the amounts reported in the financial statements.

15. Subsequent Events

Feeding America accepted an offer to sell the building located at 864 West River Center Drive NE on March 14, 2024, for \$4,800,000. The sale is scheduled to close in January 2025 and the buyer will take possession in February 2025. The proceeds from the sale will be used for capital asset purchases related to the new headquarters and distribution center.

On April 29, 2024, Feeding America entered into a \$4,000,000 line of credit to bridge the gap between receiving grant funding and the proceeds from the building sale noted above and meeting cash needs to complete the buildout of the new headquarters and distribution center. The line matures on October 29, 2025 and requires monthly interest only payments beginning in May 2024 with interest stated at 2.300% above the SOFR rate, effectively 7.627% at inception.

Subsequent to December 31, 2023, Feeding America's Board of Directors approved designating \$300,000 for the acquisition and implementation of a new ERP system.