

**PALM BEACH COUNTY
FOOD BANK, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2021
(with comparable totals for 2020)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Palm Beach County Food Bank, Inc.
Lake Worth, Florida

We have audited the accompanying financial statements of Palm Beach County Food Bank, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palm Beach County Food Bank, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the June 30, 2020 financial statements, and our report dated October 30, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
February 14, 2022

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF FINANCIAL POSITION

*As of June 30, 2021**(with comparable totals for 2020)*

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,765,086	\$ 2,251,433	\$ 7,016,519	\$ 4,253,304
Accounts receivable	139,802	-	139,802	-
Pledges receivable, current portion	13,753	411,250	425,003	668,003
Food inventory	519,685	-	519,685	995,193
Prepaid expenses	81,471	-	81,471	27,537
Total current assets	5,519,797	2,662,683	8,182,480	5,944,037
Pledges receivable	-	475,000	475,000	732,500
Other assets	18,058	-	18,058	45,108
Property and equipment, net	2,934,985	-	2,934,985	159,112
Right-of-use assets:				
Operating leases, net	3,858,154	-	3,858,154	-
Finance leases, net	320,486	-	320,486	66,046
Total assets	<u>\$ 12,651,480</u>	<u>\$ 3,137,683</u>	<u>\$ 15,789,163</u>	<u>\$ 6,946,803</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 74,427	\$ -	\$ 74,427	\$ 103,862
Accrued expenses	114,509	-	114,509	90,635
Refundable advances	-	-	-	17,262
Deferred revenue	-	-	-	15,000
Lease obligations, current portion:				
Operating leases	100,169	-	100,169	-
Finance leases	60,925	-	60,925	22,283
Total current liabilities	350,030	-	350,030	249,042
Lease obligations:				
Operating leases	3,879,492	-	3,879,492	-
Finance leases	310,328	-	310,328	76,069
Loan payable	-	-	-	214,444
Total liabilities	<u>4,539,850</u>	<u>-</u>	<u>4,539,850</u>	<u>539,555</u>
Net assets:				
Without donor restrictions	8,111,630	-	8,111,630	3,544,681
With donor restrictions	-	3,137,683	3,137,683	2,862,567
Total net assets	<u>8,111,630</u>	<u>3,137,683</u>	<u>11,249,313</u>	<u>6,407,248</u>
Total liabilities and net assets	<u>\$ 12,651,480</u>	<u>\$ 3,137,683</u>	<u>\$ 15,789,163</u>	<u>\$ 6,946,803</u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

(with comparable totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
Support and revenues:				
Governmental support	\$ 651,797	\$ 60,000	\$ 711,797	\$ 587,772
Foundation support	486,205	1,430,500	1,916,705	841,177
United Way allocation	153,059	112,000	265,059	324,109
Other contributions	5,196,848	1,474,962	6,671,810	5,243,986
Donated goods	30,208,528	-	30,208,528	16,562,885
Special event income	188,038	-	188,038	186,067
Other income	272	-	272	1,271
	<u>36,884,747</u>	<u>3,077,462</u>	<u>39,962,209</u>	<u>23,747,267</u>
Net assets released from restrictions	<u>2,802,346</u>	<u>(2,802,346)</u>	<u>-</u>	<u>-</u>
	<u>39,687,093</u>	<u>275,116</u>	<u>39,962,209</u>	<u>23,747,267</u>
Expenses:				
Program services	33,936,621	-	33,936,621	19,165,523
Supporting services:				
Management and general	292,961	-	292,961	150,529
Fundraising	809,081	-	809,081	597,280
	<u>35,038,663</u>	<u>-</u>	<u>35,038,663</u>	<u>19,913,332</u>
Loss on sale of asset	<u>81,481</u>	<u>-</u>	<u>81,481</u>	<u>-</u>
Change in net assets	4,566,949	275,116	4,842,065	3,833,935
Net assets, beginning of year	<u>3,544,681</u>	<u>2,862,567</u>	<u>6,407,248</u>	<u>2,573,313</u>
Net assets, end of year	<u>\$ 8,111,630</u>	<u>\$ 3,137,683</u>	<u>\$ 11,249,313</u>	<u>\$ 6,407,248</u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2021

(with comparable totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from:		
Governmental support	\$ 497,353	\$ 587,772
Private gifts and grants	8,158,927	4,890,520
Special events	188,038	194,977
Cash paid to vendors and employees	(3,984,581)	(3,422,753)
Cash paid on operating leases	(146,035)	-
Other income	272	1,271
Interest expense paid	<u>(13,201)</u>	<u>(5,766)</u>
Net cash provided by operating activities	<u>4,700,773</u>	<u>2,246,021</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,207,268)	(48,191)
Proceeds from sale of asset	13,200	-
Decrease (increase) in other assets	<u>27,050</u>	<u>(17,658)</u>
Net cash used in investing activities	<u>(3,167,018)</u>	<u>(65,849)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for capital campaign	1,262,341	696,461
Proceeds from loan payable	-	214,444
Principal payments on lease obligations	<u>(32,881)</u>	<u>(15,469)</u>
Net cash provided by financing activities	<u>1,229,460</u>	<u>895,436</u>
Net change in cash	2,763,215	3,075,608
Cash and cash equivalents, beginning of year	<u>4,253,304</u>	<u>1,177,696</u>
Cash and cash equivalents, end of year	<u>\$ 7,016,519</u>	<u>\$ 4,253,304</u>

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF CASH FLOWS

*For the Year Ended June 30, 2021**(with comparable totals for 2020)*

	<u>2021</u>	<u>2020</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 4,842,065	\$ 3,833,935
Adjustments to reconcile change in net cash to net cash provided by operating activities:		
Depreciation	131,702	76,187
Lease expense	267,542	-
Loss on disposal of asset	81,481	-
Donated assets	(23,250)	-
Loan forgiveness	(214,444)	-
(Increase) decrease in certain assets:		
Accounts receivable	139,802	8,910
Grants and contributions receivable	335,000	(735,003)
Food inventory	475,508	(206,362)
Prepaid expenses	(53,934)	(20,066)
Increase (decrease) in certain liabilities:		
Accounts payable	(29,435)	48,680
Accrued expenses	23,874	23,489
Refundable advances	(32,262)	(4,288)
Deferred revenue	-	15,000
Operating lease obligations	(146,035)	-
Contributions restricted for:		
Capital campaign	<u>(1,096,841)</u>	<u>(794,461)</u>
Net cash provided by operating activities	<u>\$ 4,700,773</u>	<u>\$ 2,246,021</u>

Supplemental information of noncash investing and financing activities:

During 2021, the Food Bank incurred debt of \$3,025,515 in the form of operating leases for the right-of-use of its office and warehouse space and equipment. The Food Bank also incurred debt of \$305,785 in the form of financing leases for the right-of-use of vehicles and warehouse equipment.

See accompanying notes to financial statements.

PALM BEACH COUNTY FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

(with comparable totals for 2020)

	Program Services	Supporting Activities		2021 Totals	2020 Totals
		Management and General	Fundraising		
Salaries	\$ 1,162,974	\$ 138,250	\$ 199,977	\$ 1,501,201	\$ 1,173,083
Payroll taxes	85,589	9,018	14,726	109,333	90,076
Employee benefits	107,890	11,367	18,563	137,820	110,930
Total salaries and related benefits	1,356,453	158,635	233,266	1,748,354	1,374,089
Bank card processing charges	40,330	4,249	6,939	51,518	29,586
Conference, meals and training	10,578	1,115	1,820	13,513	13,070
Contract services	56,355	625	19,140	76,120	88,524
Depreciation expense	124,029	6,796	877	131,702	76,187
Direct mail campaign	-	-	315,460	315,460	350,450
Dues and subscriptions	6,934	731	1,193	8,858	6,323
Fundraising and public relations	-	-	66,923	66,923	(251,413)
Insurance	93,649	4,011	4,771	102,431	66,143
Interest expense	13,201	-	-	13,201	5,766
Lease expense	232,522	29,281	5,739	267,542	-
Lobbyists expense	51,802	17,268	17,268	86,338	-
Occupancy expenses	357,315	35,109	18,218	410,642	280,034
Office expenses	51,311	5,406	8,829	65,546	30,304
Payroll processing charges	29,798	3,139	5,127	38,064	23,270
Professional fees and contracts	93,469	20,062	92,841	206,372	135,546
Purchased food distributed	535,741	-	-	535,741	627,701
Technology expenses	36,243	3,819	6,236	46,298	36,187
Telephone, fax, and internet	19,215	2,024	3,306	24,545	17,955
Travel expenses	6,558	691	1,128	8,377	10,101
Truck, freight and fuel costs	129,560	-	-	129,560	105,640
Warehouse operating expenses	135,593	-	-	135,593	156,554
Total expenses before donated goods	3,380,656	292,961	809,081	4,482,698	3,182,017
Donated goods distributed	30,555,965	-	-	30,555,965	16,380,865
Total expenses	\$ 33,936,621	\$ 292,961	\$ 809,081	\$ 35,038,663	\$ 19,562,882

See accompanying notes to financial statements.

For the Year Ended June 30, 2021

1. Business and Summary of Significant Accounting Policies*Organization*

The Palm Beach County Food Bank, Inc. (the "Food Bank") was established in 2012. The Food Bank is committed to fighting hunger and improving food security in Palm Beach County by working in partnership with local organizations. The Food Bank collects, recovers, purchases, and distributes food to food pantries, soup kitchens, and other non-profit organizations in Palm Beach County at no cost. During the year ended June 30, 2021, it served over 250 organizations through 4 programs. It distributed over 17 million pounds of food to over 145 agencies on the front-line of hunger relief from Tequesta to Boca Raton and from Belle Glade and Pahokee to the Coast. In addition, The Food Bank operates the Lois' Food4Kids program which served weekend food packs to upwards of 4,000 children at 64 partner agencies throughout the year. The Benefits Outreach program helped almost 7,000 individuals receive over \$6.5 million of federal food benefit assistance, and had over 2000 participants from Marjorie S. Fisher Nutrition Driven, a nutrition education program in partnership with the Palm Beach County Extension/University of Florida Institute for Food and Agriculture Sciences.

Financial Statements Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth under FASB Accounting Standards Codification (FASB ASC) 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*. Accordingly, the net assets of the Food Bank are reported in each of the following classes:

Net assets without donor restrictions: are those currently available for use in the current operations of the Food Bank under the direction of the Board of Directors.

Net assets with donor restrictions: are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Basis of Accounting

The accompanying financial statements of the Food Bank have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

For the Year Ended June 30, 2021

1. Business and Summary of Significant Accounting Policies, continued*Fair Value of Financial Instruments*

The Food Bank follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which provides a common definition of fair value, establishes a framework to measure fair value within accounting principles generally accepted in the United States of America, and expands the disclosures about fair value measurements. The standard does not create any new fair value measurements. Instead, it applies under existing accounting pronouncements that require or permit fair value measurements.

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs. The Food Bank did not have financial instruments measured at fair value on a recurring basis.

The following methods and assumptions were used by the Food Bank in estimating fair value of financial instruments that are not disclosed under ASC 820-10.

Cash and Cash Equivalents: The carrying amount reported approximates fair value.

Grants, Contributions and Pledges Receivable: The carrying amount approximates fair value due to the short term of the receivables.

Accounts Payable and Accrued Expenses: The carrying amount reported approximates fair value due to the short-term duration of the instruments.

Lease Obligations: The carrying amount reported approximates fair value as the stated interest rates approximate market rates.

Cash and Cash Equivalents

For purposes of statement of cash flows, the Food Bank considers its cash and cash equivalents to include only cash on hand, cash in checking accounts, and certain savings accounts. Cash accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

From time to time balances of these cash accounts may exceed federally insured limits. Prior to year-end June 30, 2021, the Food Bank approved the use of "insured cash sweep," a program to sweep excess balances to FDIC participating banks and enhance insurance coverage. The Food Bank has not experienced any loss on its accounts and management believes the Food Bank is not exposed to any significant credit risk arising from such balances. As of June 30, 2021, there was approximately \$2,073,000 in excess of the FDIC limit.

Grants, Contributions and Pledges Receivable

Grants receivable are recorded when services have been rendered and the granting authority has been billed. If events or changes in circumstances indicate that specific receivable balances may be disallowed by the granting authority, the receivable balances are written-off as an operating expense.

For the Year Ended June 30, 2021

1. Business and Summary of Significant Accounting Policies, continued*Grants, Contributions and Pledges Receivable, continued*

Unconditional promises to give are recognized as support in the period received. If outstanding contributions are expected to be collected in less than one year, they are recorded at the estimated amount to be ultimately realized. If outstanding contributions are to be paid to the Food Bank over a period of years, they are recorded at the present value of their estimated cash flows using an appropriate discount rate. There were \$475,000 in contributions receivable due beyond one year as of June 30, 2021.

Food Inventory

Food inventory consists of food and other grocery products that are valued at lower of cost or market or, if donated, at an estimated fair value. The estimated fair value used during the year was \$1.74 per pound, which is the average wholesale value as determined by a national network of food banks. As of June 30, 2021, food inventory consisted of approximately \$3,400 of purchased food (7,000 pounds) and \$516,300 of donated foods (296,700 pounds). In addition to a periodic change in price per pound, the ending balance of Food Inventory may fluctuate due to the timing of significant food donations, year-end demand, and related distribution factors.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of the donation. Donations of property and equipment are recorded as support unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. During the year ended June 30, 2021, the Food Bank received donated equipment with an estimated fair market value of \$23,250, which is reported within donated goods in the Statement of Activities.

Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, ranging from 3 to 10 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Support and Revenues

In accordance with FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, contributions received, including unconditional promises, are recognized as support when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or with restrictions by the donor for specific purposes are reported as support with donor restrictions that increase that net asset class. When a donor 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. Program service fees are recognized as revenue in the period in which the related services commence.

For the Year Ended June 30, 2021

1. Business and Summary of Significant Accounting Policies, continued*Donated Goods and Services*

The Food Bank reports the fair value of contributed food inventory over which it has control (i.e., variance power) as public support without donor restrictions and, shortly thereafter, as expense when granted to member food banks. During the year ended June 30, 2021, Food Bank received approximately 17,361,200 pounds of donated goods from approximately 148 donors and their subsidiaries.

Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements, because the recognition criteria under FASB ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*, were not met. It is impracticable to determine the fair market value of all donated services by the volunteers of the Food Bank beyond those required to be recognized as income. However, a substantial number of volunteers donate significant amounts of their time in the Food Bank's program services and fundraising campaigns.

In addition, during a portion of the fiscal year ended June 30, 2021, a member of the Board of Directors served as interim Executive Director with a reduced compensation. The value of the reduced compensation was approximately \$40,000 and was considered as donated services. These services are recorded as other contributions on the Statement of Activities and salaries in the Statement of Functional Expenses.

Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expense of those functional areas. Indirect costs that are not directly associated with providing specific services are allocated based upon the relative time spent by employees of the Food Bank providing those services.

Advertising

Advertising costs are expensed when incurred and are included within fundraising and public relations in the Statement of Functional Expenses. The Food Bank incurred \$3,150 advertising costs during the year ended June 30, 2021.

Lobbying Expenses

The Food Bank engages a lobbyist to assist them in securing food contracts for the community, creating introductions and collaborative arrangements with other food agencies, and promoting the mission and programs offered by the Food Bank. There are no expenditures related to political elections or candidates.

Income Taxes

The Food Bank is a not-for-profit corporation that is exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and comparable state law as a charitable organization, whereby only unrelated business income, as defined by the Code Section 509(a)(1) is subject to federal income tax. The Food Bank currently has no unrelated business income and, accordingly, no provision for income taxes has been recorded.

For the Year Ended June 30, 2021

1. Business and Summary of Significant Accounting Policies, continued*Income Taxes, continued*

The Food Bank follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a more-likely-than-not threshold. The Food Bank assesses its income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. The Food Bank uses the prescribed more-likely-than-not threshold when making its assessment. There are currently no open federal or state income tax years under audit.

Prior Year Summarized Information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Food Bank's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Recently Adopted Accounting Pronouncements

As of July 1, 2020, the Food Bank adopted the provisions of FASB Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

Analysis of various provisions of this standard resulted in no significant changes in the way the Food Bank recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The Food Bank also adopted the provisions of FASB ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaced existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. Under the new guidance, leases with terms of more than 12 months are required to be recognize in the Statement of Financial Position as liabilities, with a corresponding "right-of-use" asset.

2. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year, that is, without donor restrictions or other restrictions limiting their use comprise the following:

Cash and cash equivalents	\$ 4,765,086
Accounts receivable	139,802
Pledges receivables	<u>13,753</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 4,918,641</u>

For the Year Ended June 30, 2021

2. Liquidity and Availability of Resources, continued

The Food Bank is substantially supported by contributions without donor and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Food Bank must maintain sufficient resources to meet those responsibilities to its donors. Additionally, part of the Food Bank's liquidity management plan is to invest cash in excess of the monthly requirements into short-term investments such as certificates deposit and money market funds.

3. Other Assets

Other current assets as of June 30, 2021 consisted of a rent deposit.

4. Property and Equipment

Property and equipment as of June 30, 2021 consisted of the following:

Furniture and equipment	\$ 118,304
Leasehold improvements	2,810,822
Motor vehicles	336,029
Warehouse equipment	<u>129,849</u>
	3,395,004
Less accumulated depreciation	<u>460,019</u>
Total property and equipment	<u>\$ 2,934,985</u>

Depreciation expenses for the year ended June 30, 2021, was \$80,360.

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses as of June 30, 2021, consist of vendor payments due for general expenses and accrued salaries and vacation time.

6. Loan Payable

On April 20, 2020, the Food Bank received a loan in the amount of \$214,444 under the Small Business Administration's (SBA) Paycheck Protection Program ("PPP") from its bank as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES ACT"). On June 6, 2021, the loan was forgiven by the SBA based on qualified costs already incurred. The full amount of the forgiveness is included in "Governmental support" in the Statement of Activities.

7. Leases***Operating Leases***

The Food Bank leases its office and warehouse space in Lake Worth, Florida, under a non-cancelable lease arrangement that extends through October 31, 2030, with two five-year renewal options. The lease requires minimum rentals of \$18,057 per month, with annual increases of 2.75 percent, plus proportional common area maintenance costs.

For the Year Ended June 30, 2021**7. Leases, continued**

The Food Bank also leases various equipment under non-cancellable lease arrangements that expire at different dates through March 2026.

Operating right-of-use assets as of June 30, 2021, consisted of the following:

Office and warehouse space	\$ 3,910,610
Equipment	<u>86,541</u>
	3,997,151
Less accumulated depreciation	<u>138,997</u>
Total operating right-of-use assets	<u>\$ 3,858,154</u>

Operating lease obligations as of June 30, 2021, consisted of the following:

Office and warehouse space	\$ 3,901,193
Equipment	<u>78,468</u>
	3,979,661
Less current portion	<u>100,169</u>
Non-current portion	<u>\$ 3,879,492</u>

Operating lease expense for the year ended June 30, 2021, consisted of the following:

	<u>Depreciation</u>	<u>Finance Charges</u>	<u>Total</u>
Office and warehouse space	\$ 130,675	\$ 126,014	\$ 256,689
Equipment	<u>8,322</u>	<u>2,531</u>	<u>10,853</u>
	<u>\$ 138,997</u>	<u>\$ 128,545</u>	<u>\$ 267,542</u>

Undiscounted future lease payments under operating leases as of June 30, 2021, for each of the next five years and in the aggregate are:

2021	\$ 240,059
2022	246,586
2023	253,431
2024	260,412
2025	256,343
Thereafter	<u>4,369,309</u>
	5,626,140
Less discount to present value	<u>1,646,479</u>
Present value of future lease payments	3,979,661
Less current portion	<u>100,169</u>
Non-current portion	<u>\$ 3,879,492</u>

For the Year Ended June 30, 2021

7. Leases, continued

Discount has been calculated using an interest of 3.5% for the office and warehouse space, and 6.50% for the equipment, which approximate the incremental borrowing rate of the Food Bank for the acquisition of the related assets at the time the leases were signed.

Financing Leases

The Food Bank leases motor vehicles and forklifts under financing leases that expire at different dates through February 2028. The assets and liabilities under the financing leases were recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The assets are amortized over the shorter of the lease terms or the estimated useful lives of the assets. Amortization of motor vehicles and forklifts under financing leases are included in depreciation expense in the accompanying financial statements. Depreciation of assets under financing leases charged to expense during the year ended June 30, 2021 was \$51,342.

Minimum future lease payments under financing leases as of June 30, 2021 for each of the next five years and in the aggregate are:

2022	\$ 85,635
2023	85,635
2024	76,786
2025	64,399
2026	56,829
Thereafter	<u>86,377</u>
Total minimum lease payments	455,661
Less amount representing interest	<u>84,408</u>
Present value of future minimum lease payments	371,253
Less current portion	<u>60,925</u>
Non-current portion	<u>\$ 310,328</u>

8. Net Assets with Donor Restrictions

Unexpended net assets with donor restrictions as of June 30, 2021 were restricted for the following purposes or periods:

Subject to expenditures for a specific purpose:	
Benefits outreach	\$ 59,947
Capital purchases	44,797
Food purchase	425,761
Lois' Food4Kids program	912,228
Nutrition Driven program	2,500
Weekend Food for Kids	<u>806,200</u>
	<u>2,251,433</u>

For the Year Ended June 30, 2021

8. Net Assets with Donor Restrictions, continued

Subject to the passage of time:

Pledges receivable:

Capital campaign	\$ 300,000
Capital purchases	75,000
Lois' Food4Kids program	<u>511,250</u>

886,250

Total net assets with donor restrictions \$ 3,137,683

9. Subsequent Events

Management has evaluated subsequent events through February 14, 2022, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.