

WORCESTER COUNTY FOOD BANK, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

AND

INDEPENDENT AUDITOR'S REPORT

WORCESTER COUNTY FOOD BANK, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Worcester County Food Bank, Inc.

Opinion

We have audited the financial statements of Worcester County Food Bank, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 (GAAS). 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 the Organization 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 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT

(Continued)

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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 the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts
March 3, 2025

WORCESTER COUNTY FOOD BANK, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

(With Summarized Comparative Information for 2023)

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 6,403,472	\$ 5,071,525
Accounts receivable		
Trade	35,772	74,585
Other	56,400	19,464
Contributions receivable	100,000	300,000
Prepaid expenses	51,876	44,983
Certificates of deposit	3,160,846	3,003,187
Investments	12,591,480	11,221,990
Property and equipment, net	<u>1,428,226</u>	<u>1,533,169</u>
Total assets	<u>\$ 23,828,072</u>	<u>\$ 21,268,903</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 138,988	\$ 82,697
Accrued expenses	<u>98,168</u>	<u>91,569</u>
Total liabilities	<u>237,156</u>	<u>174,266</u>
Net assets		
Without donor restrictions		
Undesignated	22,030,823	18,970,524
Board designated	<u>1,353,693</u>	<u>1,817,713</u>
	23,384,516	20,788,237
With donor restrictions	<u>206,400</u>	<u>306,400</u>
Total net assets	<u>23,590,916</u>	<u>21,094,637</u>
Total liabilities and net assets	<u>\$ 23,828,072</u>	<u>\$ 21,268,903</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY FOOD BANK, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

(With Summarized Comparative Information for 2023)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2024	2023
Operating support, revenue and net assets released from restrictions				
Support				
Donated food distributed	\$ 18,353,229	\$ -	\$ 18,353,229	\$ 15,075,992
Donated materials and services	28,169	-	28,169	32,696
Contributions	1,965,557	-	1,965,557	2,280,445
Grants - other	1,274,951	-	1,274,951	1,634,115
Total support	21,621,906	-	21,621,906	19,023,248
Revenue				
Agency service fees and reimbursements	280,156	-	280,156	305,133
Interest income	300,273	-	300,273	29,146
Miscellaneous	4,986	-	4,986	23,793
Total revenue	585,415	-	585,415	358,072
Net assets released from restrictions:				
Satisfaction of time and program restrictions	100,000	(100,000)	-	-
Total operating support, revenue and net assets released from restrictions	22,307,321	(100,000)	22,207,321	19,381,320
Operating expenses				
Program services	20,358,515	-	20,358,515	16,747,497
Management and general	481,729	-	481,729	500,930
Fundraising	262,285	-	262,285	365,439
Total expenses	21,102,529	-	21,102,529	17,613,866
Change in net assets from operating activities	1,204,792	(100,000)	1,104,792	1,767,454
Non-operating activities:				
Net investment return	1,391,487	-	1,391,487	1,054,157
Gain on disposition of equipment	-	-	-	13,000
Changes in net assets from non-operating activities	1,391,487	-	1,391,487	1,067,157
Changes in net assets	2,596,279	(100,000)	2,496,279	2,834,611
Net assets, beginning of year	20,788,237	306,400	21,094,637	18,260,026
Net assets, end of year	\$ 23,384,516	\$ 206,400	\$ 23,590,916	\$ 21,094,637

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY FOOD BANK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

(With Summarized Comparative Information for 2023)

	Program Services	Management and General	Fundraising	Total	
				2024	2023
Payroll and related expenses					
Payroll	\$ 474,842	\$ 87,055	\$ 67,392	\$ 629,289	\$ 639,527
Employee benefits	67,372	13,351	3,618	84,341	90,320
Payroll taxes	44,498	7,592	5,859	57,949	54,260
Total payroll and related expenses	<u>586,712</u>	<u>107,998</u>	<u>76,869</u>	<u>771,579</u>	<u>784,107</u>
Operating expenses					
Communications and publications	13,208	521	-	13,729	12,708
Donated food distributed	18,353,229	-	-	18,353,229	15,075,992
Donated materials and services	28,169	-	-	28,169	32,696
Shipping and freight	1,650	-	-	1,650	950
Storage fees	49,867	-	-	49,867	84,972
Insurance	31,288	14,406	-	45,694	40,536
Interest and other banking fees	-	21,729	-	21,729	26,593
Miscellaneous	661	-	-	661	815
Motor vehicle	47,593	35	-	47,628	62,325
Occupancy	192,213	7,705	8,330	208,248	170,640
Office	1,951	23,832	6,997	32,780	54,360
Organizational dues	31,835	1,153	-	32,988	32,137
Program expenses	766,399	-	101,000	867,399	614,495
Professional fees	44,104	259,631	48,450	352,185	369,129
Technology and communications	57,014	26,986	3,182	87,182	68,312
Training	3,009	1,253	-	4,262	5,820
Travel	300	332	-	632	2,204
Utilities	51,665	2,071	2,239	55,975	60,046
Total operating expenses	<u>19,674,155</u>	<u>359,654</u>	<u>170,198</u>	<u>20,204,007</u>	<u>16,714,730</u>
Total expenses before depreciation	20,260,867	467,652	247,067	20,975,586	17,498,837
Depreciation	97,648	14,077	15,218	126,943	115,029
Total expenses	<u>\$ 20,358,515</u>	<u>\$ 481,729</u>	<u>\$ 262,285</u>	<u>\$ 21,102,529</u>	<u>\$ 17,613,866</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY FOOD BANK, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2024

(With Summarized Comparative Information for 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,496,279	\$ 2,834,611
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	126,943	115,029
Net investment gains	(1,246,645)	(933,873)
Gain on disposition of equipment	-	(13,000)
(Increase) decrease in operating assets:		
Accounts receivable	1,877	344,138
Contributions receivable	200,000	-
Prepaid expenses	(6,893)	4,131
Increase (decrease) in operating liabilities		
Accounts payable	56,291	(16,571)
Accrued expenses	6,599	(59,007)
	<u>1,634,451</u>	<u>2,275,458</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of certificates of deposit	(157,659)	(3,003,187)
Purchase of investments	(1,675,959)	(1,960,901)
Proceeds from sale of investments	1,553,114	1,840,879
Purchase of property and equipment	(22,000)	(184,158)
Proceeds from sale of equipment	-	13,000
	<u>(302,504)</u>	<u>(3,294,367)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	1,331,947	(1,018,909)
Cash and cash equivalents, beginning of year	<u>5,071,525</u>	<u>6,090,434</u>
Cash and cash equivalents, end of year	<u>\$ 6,403,472</u>	<u>\$ 5,071,525</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

Worcester County Food Bank, Inc. (the Organization) commenced operations in November 1982 as a program of Catholic Charities Diocese of Worcester, Inc. As of July 1, 1991, the Organization began operations as a separate legal entity.

The Organization is the region's leading food security organization distributing over 9 million pounds of donated food and grocery product in collaboration with food donors, financial supporters, and volunteers. The Organization provides this product to a network of 108 Partner Agencies that have programs for feeding people including food pantries and community meal sites.

The Organization also advocates at the local, state, and federal levels for programs that increase access to healthy food and policies that address the root causes of hunger and poverty.

The Organization receives its funding from individual contributions, foundations, the federal government, Commonwealth of Massachusetts, Partner Agency shared maintenance fees, organizations, and corporations.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Summarized comparative 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 the Organization's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt, and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and cash equivalents

Cash and cash equivalents consist of monies held in checking and savings accounts, petty cash, and money market accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable are primarily unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Certificates of deposit

Certificates of deposit, recorded at amortized cost, have varying maturity dates through July, 2025.

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$2,000 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize Right-of-Use assets and lease liabilities for leases with a term of 12 months or less.

Impairment of long-lived assets and long-lived assets to be disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions of cash and other financial assets

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions of nonfinancial assets

The Organization receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. Donated food held for distribution by the Organization is not recorded until it is actually distributed by the Organization. During the years ended June 30, 2024 and 2023, the Organization distributed 9,316,360 and 7,811,395 pounds of donated food products, respectively. Valuation of donated food items is based on the approximate average wholesale value of one pound of donated product as calculated in the Product Valuation Survey Methodology, Agreed-Upon Procedures prepared by Feeding America. The valuation at June 30, 2024 and 2023 was \$1.97 and \$1.93 per pound, respectively.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. U.S. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated services with an estimated fair value of \$28,169 and \$32,696 as of June 30, 2024 and 2023, respectively, met those criteria and are included as donated materials and services in the statement of activities.

Expense recognition and allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, depreciation, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Telephone and internet services, supplies and miscellaneous expenses that cannot be directly identified are allocated on the same basis as occupancy for each program and supporting activity.

Management periodically evaluates the basis on which costs are allocated.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation (continued)

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. There were no advertising expenses incurred in 2024 and 2023.

Tax-exempt status

The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

Measure of operations

In its statement of activities, the Organization includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. Contributions restricted for capital purposes and investment earnings are recognized as non-operating activities.

3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30 are:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 6,403,472	\$ 5,071,525
Accounts receivable	92,172	94,049
Contributions receivable	100,000	300,000
Certificates of deposit	3,160,846	3,003,187
Investments	<u>12,591,480</u>	<u>11,221,990</u>
Total financial assets	22,347,970	19,690,751
Less: Board-designated funds	1,353,693	1,817,713
Less: Financial assets held to meet donor - imposed restrictions:		
Purpose restricted net assets	106,400	6,400
Contributions receivable unavailable for spending for more than one year	<u>100,000</u>	<u>300,000</u>
Amount available for general expenditures within one year	<u>\$ 20,787,877</u>	<u>\$ 17,566,638</u>

The above table reflects board-designated funds as unavailable because it is the Organization's intention to retain those resources for capital improvements of the Organization.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - LIQUIDITY AND AVAILABILITY (Continued)

The Organization regularly monitors liquidity required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to the available financial assets summarized above, the Organization has various sources of liquidity at its disposal, including a line of credit. See Note 9 for information about the Organization's line of credit.

4 - CONTRIBUTIONS RECEIVABLE

Payments of contributions receivable as of June 30 are expected to be received as follows:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 100,000	\$ 200,000
One to five years	-	100,000
	<u>\$ 100,000</u>	<u>\$ 300,000</u>

5 - INVESTMENTS

Investments are included in the following classes of net assets:

	<u>2024</u>	<u>2023</u>
Without donor restrictions	<u>\$ 12,591,480</u>	<u>\$ 11,221,990</u>

Cost, fair value and unrealized appreciation (depreciation) as of June 30, 2024 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and money market funds	\$ 616,516	\$ 616,516	\$ -
Mutual funds:			
Equity	1,148,000	1,254,179	106,179
REIT	133,674	124,757	(8,917)
U.S. agency securities	1,199,832	1,180,238	(19,594)
Corporate bonds	2,754,621	2,597,855	(156,766)
Equities	<u>3,994,485</u>	<u>6,817,935</u>	<u>2,823,450</u>
Total investments	<u>\$ 9,847,128</u>	<u>\$ 12,591,480</u>	<u>\$ 2,744,352</u>

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - INVESTMENTS (Continued)

Cost, fair value and unrealized appreciation (depreciation) as of June 30, 2023 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and money market funds	\$ 509,029	\$ 509,029	\$ -
Mutual funds:			
Equity	1,148,000	1,150,416	2,416
REIT	127,162	122,930	(4,232)
Exchange traded funds	94,729	85,573	(9,156)
U.S. agency securities	739,525	696,806	(42,719)
Corporate bonds	2,764,803	2,524,926	(239,877)
Equities	<u>4,264,829</u>	<u>6,132,310</u>	<u>1,867,481</u>
Total investments	<u>\$ 9,648,077</u>	<u>\$ 11,221,990</u>	<u>\$ 1,573,913</u>

The net investment return is composed of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 215,814	\$ 185,567
Net investment gains	1,246,645	933,873
Investment fees	<u>(70,972)</u>	<u>(65,283)</u>
	<u>\$ 1,391,487</u>	<u>\$ 1,054,157</u>

6 - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	<u>Estimated Useful Lives</u>	<u>2024</u>	<u>2023</u>
Land	-	\$ 300,000	\$ 300,000
Building	20 - 30 years	2,312,854	2,312,854
Land improvements	30 years	121,266	121,266
Machinery and equipment	3 - 10 years	484,576	462,576
Furniture, fixtures and computers	3 - 10 years	241,543	241,543
Motor vehicles	5 years	<u>314,912</u>	<u>314,912</u>
		3,775,151	3,753,151
Less: Accumulated depreciation		<u>2,346,925</u>	<u>2,219,982</u>
		<u>\$ 1,428,226</u>	<u>\$ 1,533,169</u>

Depreciation expense for property and equipment was \$126,943 and \$115,029 for 2024 and 2023, respectively.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - LEASE

Storage facility space is leased on a tenant-at-will arrangement that may be terminated by the lessor or lessee without penalty. The lease falls under the short-term lease exemption under ASC 842. Lease expense was \$49,867 and \$84,972 in 2024 and 2023, respectively.

8 - AGENCY SERVICE FEES AND REIMBURSEMENT

The Organization charges up to 16 cents (\$0.16) per pound to recipient agencies which take the donated food and commodities and redistributes the items to the poor, needy and hungry. The fees offset a portion of the handling and redistribution costs incurred by the Organization. Accounts receivable on outstanding service fees arise from allowing member agencies to charge their food pick-ups and pay on a credit basis.

The Organization distributes certain commodities provided by the Commonwealth of Massachusetts Department of Education under The Emergency Food Assistance Program (TEFAP) of the federal government, and the Massachusetts Emergency Food Assistance Program (MEFAP). The Organization is reimbursed for certain distribution and handling costs, based on a fixed allocation. The Organization was owed \$35,772 and \$74,585 as of June 30, 2024 and 2023, respectively, from these reimbursements. Income from these reimbursements amounted to \$272,699 and \$293,584 for the years ended June 30, 2024 and 2023, respectively.

9 - LINE OF CREDIT

The Organization maintains a \$100,000 line of credit which is due on demand with interest at 1% below the bank base rate (7.50% as of June 30, 2024). The line of credit is secured by all assets of the Organization. As of June 30, 2024, the line has \$100,000 available.

10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions have been designated by the board of directors as follows at June 30:

	<u>2024</u>	<u>2023</u>
Capital reserve funds	\$ 200,000	\$ 200,000
New initiatives addressing food insecurity	<u>1,153,693</u>	<u>1,617,713</u>
	<u>\$ 1,353,693</u>	<u>\$ 1,817,713</u>

11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose or periods:

	<u>2024</u>	<u>2023</u>
Purpose restrictions, available for spending		
Program services	\$ 106,400	\$ 6,400
Time restrictions:		
Contributions receivable, which are unavailable for spending until due	<u>100,000</u>	<u>300,000</u>
Total net assets with donor restrictions	<u>\$ 206,400</u>	<u>\$ 306,400</u>

Net assets of \$100,000 in 2024 and 2023, respectively, were released from donor restrictions by passage of time as specified by donors.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

12 - FAIR VALUE MEASUREMENTS

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on 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 for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of investments.

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the years ended June 30, 2024 and 2023.

Cash and money market funds: Valued at net asset value ("NAV") of shares held by the Organization at year end. NAV is valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds and equity securities: Valued at the closing price reported on the active market in which the individual securities are traded. These funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and transact at that price. The securities held by the Organization are deemed to be actively traded.

U.S. agency securities and bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)

12 - FAIR VALUE MEASUREMENTS (Continued)

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2024 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and money market funds	\$ 616,516	\$ -	\$ -	\$ 616,516
Mutual funds				
Equity	1,254,179	-	-	1,254,179
REIT	124,757	-	-	124,757
U.S. agency securities	-	1,180,238	-	1,180,238
Corporate bonds	-	2,597,855	-	2,597,855
Equities	<u>6,817,935</u>	<u>-</u>	<u>-</u>	<u>6,817,935</u>
	<u>\$ 8,813,387</u>	<u>\$ 3,778,093</u>	<u>\$ -</u>	<u>\$ 12,591,480</u>

The Organization's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2023 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and money market funds	\$ 509,029	\$ -	\$ -	\$ 509,029
Mutual funds				
Equity	1,150,416	-	-	1,150,416
REIT	122,930	-	-	122,930
Exchange traded funds	85,573	-	-	85,573
U.S. agency securities	-	696,806	-	696,806
Corporate bonds	-	2,524,926	-	2,524,926
Equities	<u>6,132,310</u>	<u>-</u>	<u>-</u>	<u>6,132,310</u>
	<u>\$ 8,000,258</u>	<u>\$ 3,221,732</u>	<u>\$ -</u>	<u>\$ 11,221,990</u>

There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

The Organization does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of financial position.

13 - DONATED MATERIALS AND SERVICES

The fair value of donated materials and services included as contributions in the financial statements and the corresponding program expense are as follows:

	<u>2024</u>	<u>2023</u>
Volunteers	<u>\$ 28,169</u>	<u>\$ 32,696</u>

WORCESTER COUNTY FOOD BANK, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

14 - RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan, qualified under section 403(b) of the Internal Revenue Code, to all eligible employees. The Organization's contribution to the plan is based on a matching formula. The Organization's contributions for 2024 and 2023 amounted to \$16,694 and \$22,039, respectively.

15 - COMMITMENTS AND CONTINGENCIES

Funding under federal and state contracts are subject to audit by the applicable government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization.

16 - CONCENTRATIONS OF RISK

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Market risks include global events which could impact the value of investment securities such as a pandemic or international conflict. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

17 - RECLASSIFICATION

Certain amounts in the 2023 comparative information have been reclassified to conform with the 2024 presentation. Such reclassifications had no net effect on the change in net assets as previously reported.

18 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 3, 2025, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.