

THE FOOD TRUST
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Food Trust
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Food Trust (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 The Food Trust as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Food Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, The Food Trust adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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 Food Trust's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 The Food Trust'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 Food Trust'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.

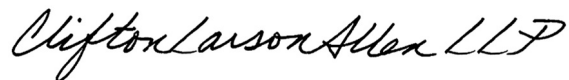
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Food Trust’s basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2024, on our consideration of The Food Trust’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 The Food Trust’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 The Food Trust’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
August 28, 2024

THE FOOD TRUST
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 100,654	\$ 135,817
Restricted Cash	388,347	324,000
Grant and Contract Receivables, Net	2,531,355	1,847,068
Contribution Receivables	48,485	39,935
Other Receivables, Net	257,650	122,032
Prepaid Expenses	32,518	25,337
Total Current Assets	3,359,009	2,494,189
PROPERTY AND EQUIPMENT		
Office Equipment	390,058	390,058
Leasehold Improvements	91,604	91,604
Website	57,881	-
Total	539,543	481,662
Less: Accumulated Depreciation	(231,161)	(184,206)
Property and Equipment, Net	308,382	297,456
OTHER NONCURRENT ASSETS		
Grants, Contributions, and Other Receivables, Net of Current Portion	51,035	-
Deposits	127,281	148,923
Right-of-Use Assets	2,310,459	-
Total Other Noncurrent Assets	2,488,775	148,923
 Total Assets	 \$ 6,156,166	 \$ 2,940,568
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lease Liability, Current Portion	\$ 373,844	\$ -
Line of Credit	340,492	-
Accounts Payable and Accrued Expenses	1,090,558	940,162
Deferred Revenue	601,175	572,205
Total Current Liabilities	2,406,069	1,512,367
LONG-TERM LIABILITIES		
Lease Liability, Long-Term Portion	1,962,869	-
Refundable Advance	413,706	-
Deferred Rent Obligation	-	146,628
Total Long-Term Liabilities	2,376,575	146,628
 Total Liabilities	 4,782,644	 1,658,995
NET ASSETS		
Without Donor Restrictions	309,661	275,050
With Donor Restrictions	1,063,861	1,006,523
Total Net Assets	1,373,522	1,281,573
 Total Liabilities and Net Assets	 \$ 6,156,166	 \$ 2,940,568

See accompanying Notes to Financial Statements.

THE FOOD TRUST
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Government Contracts	\$ 6,066,095	\$ -	\$ 6,066,095	\$ 6,098,082	\$ -	\$ 6,098,082
Grants:						
Foundations	649,532	788,709	1,438,241	109,681	1,088,429	1,198,110
Corporate	35,317	314,500	349,817	-	520,780	520,780
Contributions	292,234	4,580	296,814	338,733	-	338,733
In-Kind Contributions	59,088	-	59,088	95,778	-	95,778
Interest Income	21,144	-	21,144	2,986	-	2,986
Market Fees and Sponsorship Income	283,384	-	283,384	140,481	-	140,481
Consulting Income	160,707	-	160,707	344,700	-	344,700
Employee Retention Credit	411,147	-	411,147	-	-	-
Miscellaneous	17,006	-	17,006	33,358	-	33,358
Subtotal	<u>7,995,654</u>	<u>1,107,789</u>	<u>9,103,443</u>	<u>7,163,799</u>	<u>1,609,209</u>	<u>8,773,008</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,050,451</u>	<u>(1,050,451)</u>	<u>-</u>	<u>1,053,780</u>	<u>(1,053,780)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	9,046,105	57,338	9,103,443	8,217,579	555,429	8,773,008
PROGRAM AND SUPPORTING EXPENSES						
Program Services	6,587,377	-	6,587,377	6,277,292	-	6,277,292
Supporting Services:						
General and Administrative	2,170,365	-	2,170,365	1,848,274	-	1,848,274
Fundraising	253,752	-	253,752	255,522	-	255,522
Total Program and Supporting Expenses	<u>9,011,494</u>	<u>-</u>	<u>9,011,494</u>	<u>8,381,088</u>	<u>-</u>	<u>8,381,088</u>
CHANGE IN NET ASSETS	34,611	57,338	91,949	(163,509)	555,429	391,920
Net Assets - Beginning of Year	<u>275,050</u>	<u>1,006,523</u>	<u>1,281,573</u>	<u>438,559</u>	<u>451,094</u>	<u>889,653</u>
NET ASSETS - END OF YEAR	<u>\$ 309,661</u>	<u>\$ 1,063,861</u>	<u>\$ 1,373,522</u>	<u>\$ 275,050</u>	<u>\$ 1,006,523</u>	<u>\$ 1,281,573</u>

See accompanying Notes to Financial Statements.

THE FOOD TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and Wages	\$ 3,143,616	\$ 757,393	\$ 168,742	\$ 4,069,751
Payroll Taxes and Benefits	651,644	76,566	34,322	762,532
Bad Debt	-	8,914	-	8,914
Consulting Fees	100,717	339,682	121	440,520
Depreciation	-	46,955	-	46,955
Educational Materials	167,950	8,361	-	176,311
Equipment Purchases	66,855	4,269	-	71,124
Food Purchases	78,543	11,019	-	89,562
Grant Subawards	926,330	-	-	926,330
Insurance	4	64,889	-	64,893
Interest and Bank Fees	-	48,597	206	48,803
Meetings and Conferences	38,288	11,733	30,911	80,932
Miscellaneous Expenses	21,839	54,648	3,364	79,851
Office Supplies and Expenses	3,726	2,594	-	6,320
Payroll Processing	-	24,787	-	24,787
Postage	553	691	1,157	2,401
Printing and Copying	41,784	23,490	6,023	71,297
Professional Fees	69,102	261,120	3,661	333,883
Program Supplies	124,890	8,146	93	133,129
Project Incentives	1,010,116	35,142	-	1,045,258
Promotions	2,903	3,461	4,412	10,776
Rent and Storage	49,226	342,625	-	391,851
Telephone	15,641	25,965	-	41,606
Transportation and Parking	73,650	9,318	740	83,708
Total Expenses by Function	\$ 6,587,377	\$ 2,170,365	\$ 253,752	\$ 9,011,494

See accompanying Notes to Financial Statements.

THE FOOD TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and Wages	\$ 3,033,141	\$ 489,201	\$ 162,322	\$ 3,684,664
Payroll Taxes and Benefits	602,782	97,220	32,259	732,261
Bad Debt	-	126,600	-	126,600
Consulting Fees	272,046	70,720	16,544	359,310
Depreciation	-	45,595	-	45,595
Educational Materials	206,676	8,908	-	215,584
Equipment Purchases	36,237	8,948	11,579	56,764
Food Purchases	49,150	3,385	186	52,721
Grant Subawards	995,000	-	-	995,000
Insurance	-	34,788	-	34,788
Interest and Bank Fees	-	50,784	2,557	53,341
Meetings and Conferences	12,593	1,273	62	13,928
Miscellaneous Expenses	2,537	37,416	1,140	41,093
Office Supplies and Expenses	1,590	21,449	501	23,540
Payroll Processing	-	17,607	-	17,607
Postage	511	1,686	5,963	8,160
Printing and Copying	55,921	8,579	1,800	66,300
Professional Fees	22,687	336,162	20,600	379,449
Program Supplies	81,298	-	-	81,298
Project Incentives	732,080	2,777	-	734,857
Promotions	11,192	11,676	-	22,868
Rent and Storage	85,269	456,105	-	541,374
Telephone	22,424	16,394	-	38,818
Transportation and Parking	54,158	1,001	9	55,168
Total Expenses by Function	\$ 6,277,292	\$ 1,848,274	\$ 255,522	\$ 8,381,088

See accompanying Notes to Financial Statements.

THE FOOD TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 52,084	\$ 391,920
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	46,955	45,595
Increase (Decrease) in Allowance for Doubtful Accounts	(180,765)	99,882
Change in Right-of-Use Assets and Lease Liability	26,254	-
Decrease (Increase) in Operating Assets:		
Contract and Grants Receivables	(503,522)	(93,872)
Contribution Receivables	(59,585)	(37,684)
Other Receivables	(135,618)	(25,746)
Prepaid Expenses	(7,181)	6,226
Deposits	21,642	(53,366)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	150,396	52,157
Deferred Revenue	28,970	(202,266)
Deferred Rent Obligation	(146,628)	11,050
Refundable Advance	453,571	-
Net Cash Provided (Used) by Operating Activities	(253,427)	193,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Website	(57,881)	-
Purchases of Office Equipment	-	(18,120)
Net Cash Used by Investing Activities	(57,881)	(18,120)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) on Line of Credit	340,492	(1,019,074)
Net Cash Provided (Used) by Financing Activities	340,492	(1,019,074)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	29,184	(843,298)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	459,817	1,303,115
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 489,001	\$ 459,817
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENTS OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 100,654	\$ 135,817
Restricted Cash	388,347	324,000
Total Cash, Cash Equivalents, and Restricted Cash	\$ 489,001	\$ 459,817

See accompanying Notes to Financial Statements.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Summary of Significant Operational Outcomes

The Food Trust (the Organization) is a nonprofit organization, founded in 1992, dedicated to ensuring that everyone has access to affordable, nutritious food and information to make healthy decisions. Headquartered in Philadelphia, The Food Trust works with neighborhoods, schools, grocers, farmers, and policymakers in the city and across the country to develop a comprehensive approach to improved food access that combines nutrition education and greater availability of affordable, healthy food. The Organization's major sources of revenues are government contracts, in addition to grants and contributions.

Basis of Accounting

The accompanying financial statements are accounted for on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions depending upon the existence and/or nature of any donor stipulations that limits its use.

Net assets without donor restrictions are net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors. Net assets with donor restrictions are those contributions which have been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments in traditional bank accounts, money market funds, and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents. At times, cash in bank may exceed Federal Deposit Insurance Corporation insurable limits.

As of September 30, 2023 and 2022, restricted cash consisted of \$388,347 and \$324,000 designated by the funding agency, respectively.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Contracts, Grants, and Contributions

Contribution and Grant revenue, including promises to give, are evaluated using the decision tree in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958-605-55-1A to determine the applicable accounting model. Most of the grants and contributions received by the Organization are considered to be nonexchange transactions.

A decision tree is also used to determine whether grants and contributions received are conditional or unconditional. Both, barriers and right of return/release, need to exist in order to designate a grant or contribution as conditional. Once designated, the revenue is recognized when the conditions are met.

Unconditional grants and contributions are recorded as those with donor restrictions or without donor restrictions depending on the existence of donor-imposed restrictions, typically limiting purpose or timing of the grant or contribution. Grants and contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the grants and contributions are recognized.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as liabilities in the statement of financial position. The Organization was awarded cost-reimbursable grants that have not been recognized in the amount of \$2,720,182 at September 30, 2023.

Consulting Income

Consulting Income is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing consulting services to their agency. Generally, the Organization invoices the agency after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

The Organization measures the performance obligation from the time the agreement is entered, to the point when it is no longer required to provide services for the agency, which is generally at the time of completion of the consulting objectives.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

The Organization uses the allowance method in accounting for bad debts. The allowance is based upon management's estimate of the accounts that will not be collected based on its knowledge of its customers' credit worthiness. In addition, an allowance is provided when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At September 30, 2023 and 2022, the allowance for doubtful accounts for contracts, grants, contributions, and other receivables was \$31,678 and \$212,442, respectively.

Property and Equipment and Depreciation

Property and equipment purchased with a value greater than \$5,000 is recorded at cost. Equipment is depreciated over the estimated useful lives, ranging from 3 to 10 years, of the assets using the straight-line method. Leasehold improvements are depreciated over the lesser of the related lease term or the useful lives of the assets. Maintenance and repairs are charged to expenses as incurred.

A substantial portion of capital assets have been purchased through grants and contracts. Such amounts received are included in grant and contribution revenue. Ownership of equipment acquired with grantor funds is vested with and may revert back to the grantor under certain circumstances. The Organization expenses the costs related to purchases made that may revert back to the grantor.

Depreciation expense was \$46,955 and \$45,595 for the years ended September 30, 2023 and 2022, respectively.

Deferred Revenue

Deferred revenue consists primarily of program revenues received but not earned as of the date of the statements of financial position. Deferred revenues will be earned as the program conditions are met.

Advertising and Promotion

All costs associated with advertising and promotion are expensed in the period incurred. Advertising expense was \$10,776 and \$21,396 for the years ended September 30, 2023 and 2022, respectively.

Income Taxes

The Organization is recognized as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for federal or state income taxes has been provided in the accompanying financial statements. Donors may deduct contributions to the Organization as provided by the Internal Revenue Service Code. The Organization's informational tax returns are subject to review and examination by federal, state, and local authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization follows the income tax standard for uncertain tax positions. The Organization believes there are no uncertain tax positions that need to be disclosed in the financial statement.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Food Trust leases office space and equipment. The Food Trust determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and lease liabilities on the statements of financial position.

ROU assets represent The Food Trust's right to use an underlying asset for the lease term and lease liabilities represent The Food Trust's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use the risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Functional Allocation of Expenses

All expenses are charged against program or grant codes. Program expenses are charged to program and grant codes, general and administrative expenses are charged to administrative program codes, and development expenses are charged to development program codes and aggregated to prepare the statements of functional expenses.

New Accounting Standard

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Food Trust adopted the requirements of the guidance effective October 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. The Food Trust has elected to adopt the package of practical expedients available in the year of adoption.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 28, 2024, the date on which the financial statements were available to be issued.

NOTE 2 LINE OF CREDIT

The Organization maintains a line of credit, secured by the assets of the Organization, with another nonprofit corporation, Nonprofit Finance Fund, providing for maximum borrowings of \$1,000,000, limited to an 80% advance rate on receivables aged less than 90 days. The Organization must pay down the outstanding principal amount of the line to zero for 30 consecutive days in each year the line of credit is outstanding.

If at any time the maximum principal balance exceeds these limitations, the Organization is required to immediately pay the amount of such excess and accrued interest thereon. Interest is payable monthly on the outstanding balance at a rate equal to the greater of the prime rate plus 1.0% or 6.25%. The effective rate was 5.50% at September 30, 2023 and 2022. Interest expense for the years ended September 30, 2023 and 2022 was \$21,969 and \$32,377, respectively.

The outstanding balance on this line of credit as of September 30, 2023 was \$340,492 and there was no outstanding balance on this line of credit as of September 30, 2022. As of August 28, 2024, the line of credit has a maturity date of November 26, 2024.

NOTE 3 LEASES COMMITMENTS

Operating Leases – ASC 842

The Organization leases office equipment and office space for various terms under long-term noncancelable agreements. The leases expire at various dates through April 2029. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain office leases provide for increases in future minimum annual rental payments.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate option has been applied to the office space.

We have elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 3 LEASE COMMITMENTS (CONTINUED)

Operating Leases – ASC 842 (Continued)

The following tables provide quantitative information concerning the Organization's leases for the year ended September 30, 2023:

	<u>2023</u>
Operating Lease Cost	<u>\$ 471,980</u>
Total Lease Cost	<u>\$ 471,980</u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:

 Operating Cash Flows from Operating Leases \$ 472,007

Right-of-Use Assets Obtained in Exchange for New

 Operating Lease Liabilities \$ 2,683,562

Weighted-Average Remaining Lease Term -

 Operating Leases 5.4 Years

Weighted-Average Remaining Discount Rate -

 Operating Leases 3.98%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of September 30, 2023, is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 458,560
2025	467,867
2026	459,174
2027	464,481
2028	473,288
Thereafter	<u>279,388</u>
Total Undiscounted Cash Flows	2,602,758
Less: Imputed Interest	<u>(266,045)</u>
Total Present Value of Lease Liabilities	<u>\$ 2,336,713</u>
Short-Term Lease Liabilities	\$ 373,844
Long-Term Lease Liabilities	1,962,869

**THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 3 LEASE COMMITMENTS (CONTINUED)

Operating Leases – ASC 840

Lease disclosures for the years ended September 30, 2022, are made under prior lease guidance in FASB ASC 840. The Organization maintains various agreements for the leasing of office space and equipment under operating leases.

Minimum future rental payments required under noncancelable leases as of September 30, 2023 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 429,987
2024	438,794
2025	447,601
2026	456,408
2027	465,215
Thereafter	754,143
Total	<u>\$ 2,992,148</u>

NOTE 4 RESTRICTED NET ASSETS

Net assets with donor restrictions are available for the following purposes as of September 30:

	<u>2023</u>	<u>2022</u>
National Campaign for Healthy Food Access	\$ 169,939	\$ 235,175
Healthy Corner Store Initiative	98,396	218,291
Nutritional Education and Youth Initiatives	333,598	292,322
Farm to School Initiatives	269,996	243,884
Farmer's Market	21,204	6,591
Other Programs	3,825	6,435
Time-restricted	166,903	3,825
Total Net Assets With Donor Restrictions	<u>\$ 1,063,861</u>	<u>\$ 1,006,523</u>

NOTE 5 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Legal Services	\$ 59,088	\$ 95,778
Total	<u>\$ 59,088</u>	<u>\$ 95,778</u>

Contributed services are recognized at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 5 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

The Organization receives contributed legal services that are reported using current rates of the attorney providing the services. Contributed legal services were general administrative costs.

NOTE 6 RETIREMENT PLANS

The Organization sponsors a tax-deferred annuity retirement plan (the Plan) covering all eligible employees. The plan is a defined contribution plan that operates under Section 403(b) of the IRC. Effective June 1, 2017, the Organization starting matching employee contributions based off of a percentage of any salary deferrals made by each employee during each payroll period. Under the Plan, matching contributions are discretionary, and the Organization will decide annually when contributions are made. Contributions to the Plan for the years ended September 30, 2023 and 2022 were \$31,445 and \$23,894, respectively.

NOTE 7 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of revenue and accounts receivable from governmental agencies. The receivables from governmental agencies are primarily obligations of the federal government and Commonwealth of Pennsylvania. These same agencies provide substantial funding to the Organization. The ability of the Organization to maintain its operations and meet future commitments is dependent on such continued funding. During the years ended September 30, 2023 and 2022, there were no significant concentrations of credit risk.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 8 LIQUIDITY AND AVAILABILITY

The Organization receives significant grants and contributions that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The following table shows the financial assets that are available as of September 30, 2023 within one year to meet cash needs for general expenditures.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 100,654	\$ 135,817
Cash - Program Restricted	388,347	324,000
Grants and Contract Receivables, Net	2,531,355	1,847,068
Contribution Receivables, Current Portion	48,485	39,935
Other Receivables, Net	<u>257,650</u>	<u>122,032</u>
Financial Assets at Year-End	3,326,491	2,468,852
Less: Net Assets with Donor Restrictions for Purpose	<u>(896,958)</u>	<u>(1,002,698)</u>
Total Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 2,429,533</u>	<u>\$ 2,468,852</u>

In addition, the Organization has a \$1,000,000 line of credit as disclosed in Note 2.

NOTE 9 CONTINGENCY

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 10 EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. On December 27, 2020, the Consolidated Appropriations Act (CAA) was signed into law. Among other provisions, the CAA expanded the eligibility for ERC to include more entities as well as extending ERC into calendar year 2021 including the first, second and third calendar quarters. CAA provided entities the ability to retroactively cover payroll taxes from earlier in 2020 during which they were previously ineligible by retroactively applying for the credit.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 10 EMPLOYEE RETENTION CREDIT (CONTINUED)

Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar years 2020 and 2021 and experience either a full or partial suspension of the operation of their trade or business during any calendar quarter due to a significant decline in gross receipts or because of governmental orders limiting commerce, travel or group meetings due to COVID-19. The credit applies to qualified wages (including certain health plan expenses) paid during this period for any calendar quarter in which eligibility requirements were met.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended September 30, 2023, The Food Trust applied for and received \$824,853 of ERC funds from the Internal Revenue Service. The Food Trust recognized \$411,147 of grant revenue related to performance requirements being met in compliance with the program during the year ended September 30, 2023. The remaining \$413,706 of ERC will be recognized once conditions are met, and therefore recorded as refundable advance on the accompanying statement of financial position as of September 30, 2023.

Eligibility and conditions for the ERC program may be audited by the Internal Revenue Service. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on The Food Trust's financial position.

THE FOOD TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2023

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Grant Period	Expenditures	Pass-Through to Subrecipients
U.S. Department of Agriculture					
Pass-through Pennsylvania Department of Agriculture:					
PA Specialty Block Grant	10.170	C940000521	10/01/20-6/30/23	\$ 5,016	\$ -
PA Specialty Block Grant	10.170	C940000845	10/01/21-9/30/23	28,979	-
PA Specialty Block Grant	10.170	C940001091	09/30/22-06/30/24	59,199	-
Total Assistance Listing 10.170				93,194	-
Pass-through Agricultural Marketing Services:					
Farmers Market and Local Food Promotion Program	10.175	AM22FMPPPA1105	09/30/22-09/29/25	135,654	-
Pass-through National Institute of Food and Agriculture:					
Community Food Projects	10.225	2023-70438-38721	11/01/22-10/31/24	55,113	-
Pass-through National Institute of Food and Agriculture:					
Food Insecurity Nutrition Incentive Grants Program	10.331	2019-70030-30412	09/01/19-12/31/22	33,648	-
Food Insecurity Nutrition Incentive Grants Program	10.331	2020-70030-33186	09/01/20-08/31/23	245,851	-
Food Insecurity Nutrition Incentive Grants Program	10.331	2021-70034-34987	06/15/21-06/14/24	318,982	-
Food Insecurity Nutrition Incentive Grants Program	10.331	2021-70034-35361	08/01/21-07/31/24	220,809	-
Total Assistance Listing 10.331				819,290	-
Pass-through The Pennsylvania State University:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	S003654-COP	10/01/22-09/30/23	2,838,494	-
Pass-through New Jersey Department of Health					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DFHS23SNA005	10/01/22-09/30/23	666,762	-
Total Assistance Listing 10.561				3,505,256	-
Taking Root: Increasing Access to Farm to School Information & Resources in Pennsylvania	10.575	CN-F2S-IMPL-20-PA-4	07/15/20-06/30/23	17,836	-
Total U.S. Department of Agriculture				4,626,343	-
U.S. Department of Health and Human Services					
Pass-through Commonwealth of Pennsylvania, Allegheny County Health Department					
Living Well Allegheny: Lifting Wellness for African Americans in Allegheny County (LWA2)	93.738	231441	02/01/19-09/30/23	35,775	-
Pass through State of New Jersey Department of Health					
Food Expansion Pilot Program 2022	93.236	DCHSFEP002	02/01/22-12/31/22	18,207	-
State Partnership Improving Nutrition Equity 2022	93.421	DCHS22INE001	07/01/22-09/30/23	96,716	-
Social Determinants of Health	93.991	DCHS23PHS011	10/01/22-09/30/23	149,999	-
Total U.S. Department of Health and Human Services				300,697	-
Total Federal Awards				\$ 4,927,040	\$ -

See accompanying Notes to Schedule of Expenditures of Federal Awards.

THE FOOD TRUST
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Food Trust and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from certain financial reports submitted to federal, state, or city agencies due to those reports being submitted on either a cash or modified accrual basis of accounting. Because the accompanying schedule presents only a selected portion of the operations of The Food Trust, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Food Trust. The Food Trust has a 19.10% indirect cost rate approved by the Department of Health and Human Services.

NOTE 2 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards expenditures are reported on the statements of functional expenses as program services and general and administrative expense. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations which are not included as federal award expenditures.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
The Food Trust
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Food Trust which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Food Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Food Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of The Food Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether The Food Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Food Trust's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Food Trust's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Food Trust's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
August 28, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
The Food Trust
Philadelphia, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Food Trust's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Food Trust's major federal programs for the year ended September 30, 2023. The Food Trust's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Food Trust complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Food Trust and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Food Trust's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to The Food Trust's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Food Trust's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Food Trust's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Food Trust's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Food Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Food Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on The Food Trust's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Food Trust's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002, 2023-003, and 2023-04 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on The Food Trust's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Food Trust's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
August 28, 2024

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

Section I — Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? X yes none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.515(d)(2) of the Uniform Guidance? X yes no

Identification of Major Federal Programs

CFDA Number(s)

Name of Federal Program or Cluster

10.561

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

10.331

Food Insecurity Nutrition Incentive Grants Program

Dollar threshold used to distinguish between Type A and Type B programs was:

 \$ 750,000

Auditee qualified as low-risk auditee pursuant to Uniform Guidance?

 yes X no

THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023

Section II — Financial Statement Findings

2023-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Criteria:

Timely performance and review of account reconciliations are vital in the Organization's internal control to ensure financial statements are prepared timely and accurately in accordance with GAAP.

Condition:

Management's closing of fiscal year ended September 30, 2023, was incomplete at the start of the audit. During the audit, adjustments were necessary to correct various account balances including accounts receivable, prepaid expenses, right-to-use assets, lease liability, revenues, and expenses.

Cause:

The finance department was operating with insufficient capacity to manage operations during fiscal year 2023 due to open positions in the finance department.

Effect:

During the audit, multiple adjustments were necessary to correct various account balances including an increase to accounts receivable of \$270,612, a decrease in prepaid expenses and other assets of \$34,475, an increase for capitalized website costs of \$42,881, a decrease in deferred revenue of \$8,719, a decrease in right to use assets of \$100,163, a decrease in lease liability of \$220,538, an increase to revenue of \$288,245 and adjustments decreasing expenses by \$119,794. Timely and accurate reconciliations of account balances are an important step in ensuring that financial statements are fairly stated.

Recommendation:

Management is responsible for the accuracy and completeness of all financial records and related information. We recommend management develop a financial close process whereby all account reconciliations are completed and reviewed timely.

Viewed of Responsible Officials and Planned Corrective Actions:

See accompanying Corrective Action Plan.

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023**

Section III — Findings and Questioned Costs — Major Federal Programs

2023-002

Federal Agency: U.S. Department of Agriculture

Federal Program Name: Food Insecurity Nutrition Incentive Grants Program

Assistance Listing Number: 10.331

Pass-through Agency: National Institute of Food and Agriculture

Pass-through Number: 2020-70030-33186; 2021-70034-34987; 2021-70034-35361

Award Period: September 1, 2020 - August 31, 2023; June 15, 2021 - June 14, 2024;

August 1, 2021 - July 31, 2024

Compliance Requirement Affected: Allowable Costs

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria:

2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of allowable costs and allowable activities. The Organization should have procedures in place to ensure adequate controls designed to ensure personnel costs are documented with time and effort certifications.

Condition:

During our testing, we noted the organization does not have adequate controls designed to ensure personnel costs are documented with time and effort certifications.

Questioned Costs:

None

Context:

During our testing, it was noted the organization did not have an approval by a supervisor on time and effort certification for the actual time spent working on the program for seven employees.

Cause:

The organization did not have policies and procedures in place during the fiscal year to adequately document and certify employee's time and effort charged to the grant.

Effect:

When an organization does not have adequate controls designed to ensure personnel costs are documented with time and effort certifications, it can lead to a lack of transparency and accountability in recording and reporting personnel costs. This can result in inaccurate financial statements and potential noncompliance with regulatory requirements.

THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023

Section III — Findings and Questioned Costs — Major Federal Programs (Continued)

2023-002 (Continued)

Repeat Finding: Yes - see finding 2022-004.

Recommendation:

We recommend The Food Trust establish and implement controls that require employees to document their time and effort spent on various activities. Time and effort certifications should be regularly reviewed and approved by appropriate personnel to ensure accuracy and completeness of personnel cost documentation.

Viewed of Responsible Officials and Planned Corrective Actions:

Please refer to The Food Trust's Corrective Action Plan.

2023-003

Federal Agency: U.S. Department of Agriculture

Federal Program Name: Food Insecurity Nutrition Incentive Grants Program

Assistance Listing Number: 10.331

Pass-through Agency: National Institute of Food and Agriculture

Pass-through Number: 2019-70030-30412; 2020-70030-33186; 2021-70034-34987
2021-70034-35361

Award Period: September 1, 2019 - August 31, 2022; September 1, 2020 - August 31, 2023
June 15, 2021 - June 14, 2024; August 1, 2021 - July 31, 2024

Compliance Requirement Affected: Cash Management

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria:

2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of cash management. The Organization should have procedures in place to ensure the draw down of federal funds in a timely manner and proper documentation of approval should be maintained to support the draw of funds.

Condition:

During our testing, we noted there was no documentation of review or approval on the calculation for the draw of funding for the program. In addition, draws are not performed in a timely manner after the expenditures are incurred.

Questioned Costs:

None

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023**

Section III — Findings and Questioned Costs — Major Federal Programs (Continued)

2023-003 (Continued)

Context:

During our testing, it was noted there was no documentation of review or approval on the calculations for the draw of funding for the program.

Cause:

The organization had significant turnover within the finance department and was operating with insufficient resources to allocate responsibilities.

Effect:

We noted no instances of noncompliance with the provisions of allowable costs and activities; however, the lack of approval can increase the risk of fraud or errors going undetected. In addition, when draws are not performed in a timely manner after the expenditures are incurred, it can lead to cash flow issues and potential disruptions in the program's operations. Timely draws are important to ensure that funds are available to cover expenses and maintain the program's financial stability.

Repeat Finding:

Yes - see finding 2022-005.

Recommendation:

We recommend The Food Trust implement a clear approval process for the drawing of federal funding. In addition, it is important to establish a clear process and timeline for performing draws. This may involve regular monitoring of expenditures, timely submission of draw requests, and efficient processing of those requests. By implementing an approval and a timely draw process, the organization can enhance internal controls, reduce the risk of fraud, and ensure the accuracy and integrity of the fund draw process, and can better manage its cash flow, meet its financial obligations, and maintain the smooth operation of the program.

Viewed of Responsible Officials and Planned Corrective Actions:

Please refer to The Food Trust's Corrective Action Plan.

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023**

Section III — Findings and Questioned Costs — Major Federal Programs (Continued)

2023-004

Federal Agency: U.S. Department of Agriculture

Federal Program Name: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Assistance Listing Number: 10.561

Pass-through Agency: The Pennsylvania State University

Pass-through Number: S003654-COP-TFT

Award Period: October 1, 2022 - September 30, 2023

Compliance Requirement Affected: Allowable Costs

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria:

2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award requires compliance with the provisions of allowable costs and allowable activities. The Organization should have procedures in place to ensure federal funds are only expended on allowable costs and allowable activities as dictated in the contract and budget of the program. Proper documentation should be maintained and reviewed to support all transactions.

Condition:

During our testing, we noted there was a lack of supporting documentation for the purchase of program supplies in the amount of \$200 charged to the federal programs.

Questioned Costs:

None

Context:

During the testing, it was also noted management was unable to locate the supporting documentation for two transactions totaling \$200.

Cause:

The organization experienced turnover within the finance department and the missing supporting documentation was likely misfiled and therefore unable to be located.

Effect:

If the organization does not retain proper supporting documentation for federal expenditures, it could result in funds being required to returned to the funding agency.

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2023**

Section III — Findings and Questioned Costs — Major Federal Programs (Continued)

2023-004 (Continued)

Repeat Finding:

Yes - see finding 2022-002.

Recommendation:

We recommend The Food Trust review its practices to ensure all supporting documentation is retained for federal purchases.

Viewed of Responsible Officials and Planned Corrective Actions:

Please refer to The Food Trust's Corrective Action Plan.



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THE FOOD TRUST
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2023

The Food Trust respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2023.

Audit period: October 1, 2022 – September 30, 2023

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001 – Material Weakness in Internal Control over Financial Reporting

Condition:

Management's closing of fiscal year ended September 30, 2022, was incomplete at the start of the audit. During the audit, adjustments were necessary to correct various account balances including cash, accounts receivable, prepaid expenses, accrued expenses, deferred revenue, revenues, and expenses.

Status:

The finding was not corrected, see finding 2023-001.

FINDINGS – FEDERAL AWARD FINDINGS

2022-002 – Significant Deficiency in Internal Control over Compliance - Allowable Costs

Condition:

During our testing, we noted the Organization charges benefits to the programs based on an allocation calculated at 25% of salaries, but the actual benefits incurred are 20% of total salaries, there is a discrepancy between the allocated amount and the actual amount. We also noted there was a lack of supporting documentation for the purchase of program supplies in the amount of \$266 charged to the federal programs.

Status: The finding related to the allocation of benefits was corrected in fiscal year 2023. However, the lack of supporting documentation was not corrected, see finding 2023-004.

2022-003 – Significant Deficiency in Internal Control over Compliance – Allowable Costs

Condition:

The detail of the expenditures incurred for the program included a transaction for bad debt expense which is not an allowable cost per the program budgets. In addition, there was funding drawn down by the agency for this transaction.

Status:

The finding was corrected in fiscal year 2023.

2022-004 – Significant Deficiency in Internal Control over Compliance – Allowable Costs

Condition:

During our testing, we noted the Organization does not have adequate controls designed to ensure personnel costs are documented with time and effort certifications.

Status:

The finding was not corrected, see finding 2023-002.

2022-005 – Significant Deficiency in Internal Control over Compliance – Cash Management

Condition:

During our testing, we noted the same individual is both preparing and requesting the draw of funds for the program without any approval by another individual. In addition, draws are not performed in a timely manner after the expenditures are incurred.

Status:

The finding was not corrected, see finding 2023-003.

If an agency has questions regarding this schedule, please contact Regine Metellus, Vice President of Finance at 215-575-0444 ext. 2209.

THE FOOD TRUST CORRECTIVE ACTION PLAN YEAR ENDED SEPTEMBER 30, 2023

The Food Trust respectfully submits the following corrective action plan for the year ended September 30, 2023.

Audit period: October 1, 2022 – September 30, 2023

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2023-001 During the audit, multiple adjustments were necessary to correct various account balances including an increase to accounts receivable of \$270,612, a decrease in prepaid expenses and other assets of \$34,475, an increase in capitalized website costs of \$42,881, a decrease in deferred revenue of \$8,719, a decrease in right of use assets of \$100,163, a decrease in lease liability of \$220,538, an increase to revenue of \$288,245 and adjustments decreasing expenses by \$119,794. Timely and accurate reconciliations are an important step in ensuring that financial statements are fairly stated.

Recommendation: Management is responsible for the accuracy and completeness of all financial records and related information. We recommend management develop a financial close process whereby all account reconciliations are completed and reviewed timely.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding:

The Finance Department has gone through several phases of transition over the past four years, impacting the organization's ability to stay current with its reconciliations. The last open position was filled in July 2024, and the department is in position to complete its monthly closing process, including all reviews and reconciliations.

Name(s) of the contact person(s) responsible for corrective action: Regine Metellus, Vice President of Finance

Planned completion date for corrective action plan:

The planned corrective action will be completed with the September 2024 month-end close.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF AGRICULTURE

2023-002 The organization does not have adequate controls designed to ensure personnel costs are documented with time and effort certifications.

Recommendation: We recommend The Food Trust establish and implement controls that require employees to document their time and effort spent on various activities. Time and effort certifications should be regularly reviewed and approved by appropriate personnel to ensure accuracy and completeness of personnel cost documentation.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

The Organization will implement processes and tools to ensure that all employee time and effort charged to federal grants is appropriately documented.

Name(s) of the contact person(s) responsible for corrective action: Regine Metellus, Vice President of Finance

Planned completion date for corrective action plan:

The planned corrective action will be completed by October 2024.

2023-003 There was no documentation of review or approval on the calculation for the draw of funding for the program. In addition, draws are not performed in a timely manner after the expenditures are incurred.

Recommendation: We recommend The Food Trust implement a clear approval process for the drawing of federal funding. In addition, it is important to establish a clear process and timeline for performing draws.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

The Organization will implement an electronic approval system, and draws will be completed within 30 days of month end.

Name(s) of the contact person(s) responsible for corrective action: Regine Metellus, Vice President of Finance

Planned completion date for corrective action plan:

The planned corrective action will be completed with the September 2024 month-end close.

2023-004

There was a lack of documentation for the purchase of program supplies in the amount of \$200 charged to federal programs.

Recommendation: We recommend The Food Trust review its processes to ensure that all supporting documentation is maintained for federal purchases.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

The Organization will complete a review of its documentation by December 2024.

Name(s) of the contact person(s) responsible for corrective action: Regine Metellus, Vice President of Finance

Planned completion date for corrective action plan:

The planned corrective action will be completed by December 31, 2024.

If the oversight agency has questions regarding this plan, please call Regine Metellus, Vice President of Finance at 215-575-0444 ext. 163.