

THE FOOD TRUST
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021



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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, 2022 and 2021, 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, 2022 and 2021, 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, management has adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. 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.

Board of Directors
The Food Trust

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2023, 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, 2023

THE FOOD TRUST
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 135,817	\$ 873,115
Restricted Cash	324,000	430,000
Grant and Contract Receivables, Net	1,847,068	1,853,078
Contribution Receivables	39,935	2,251
Other Receivables, Net	122,032	96,286
Prepaid Expenses	25,337	31,563
Total Current Assets	2,494,189	3,286,293
PROPERTY AND EQUIPMENT		
Office Equipment	390,058	371,938
Leasehold Improvements	91,604	91,604
Total	481,662	463,542
Less: Accumulated Depreciation	(184,206)	(138,611)
Total Property and Equipment, Net	297,456	324,931
OTHER NONCURRENT ASSETS		
Deposits	148,923	95,557
Total Assets	\$ 2,940,568	\$ 3,706,781
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ -	\$ 1,019,074
Accounts Payable and Accrued Expenses	940,162	888,005
Deferred Revenue	572,205	774,471
Total Current Liabilities	1,512,367	2,681,550
LONG-TERM LIABILITIES		
Deferred Rent Obligation	146,628	135,578
Total Liabilities	1,658,995	2,817,128
NET ASSETS		
Without Donor Restrictions	275,050	438,559
With Donor Restrictions	1,006,523	451,094
Total Net Assets	1,281,573	889,653
Total Liabilities and Net Assets	\$ 2,940,568	\$ 3,706,781

See accompanying Notes to Financial Statements.

THE FOOD TRUST
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT						
Government Contracts	\$ 6,098,082	\$ -	\$ 6,098,082	\$ 5,016,288	\$ -	\$ 5,016,288
Grants:						
Foundations	109,681	1,088,429	1,198,110	350,568	711,129	1,061,697
Corporate	-	520,780	520,780	6,516	415,000	421,516
Contributions	338,733	-	338,733	180,731	-	180,731
In-Kind Contributions	95,778	-	95,778	55,277	-	55,277
Payroll Protection Program Loan Forgiveness	-	-	-	550,000	-	550,000
Interest Income	2,986	-	2,986	8,926	-	8,926
Market Fees and Sponsorship Income	140,481	-	140,481	149,720	-	149,720
Consulting Income	344,700	-	344,700	186,168	-	186,168
Miscellaneous	33,358	-	33,358	738	-	738
Subtotal	<u>7,163,799</u>	<u>1,609,209</u>	<u>8,773,008</u>	<u>6,504,932</u>	<u>1,126,129</u>	<u>7,631,061</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,053,780</u>	<u>(1,053,780)</u>	<u>-</u>	<u>2,022,342</u>	<u>(2,022,342)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	8,217,579	555,429	8,773,008	8,527,274	(896,213)	7,631,061
PROGRAM AND SUPPORTING EXPENSES						
Program Services	6,277,292	-	6,277,292	6,171,677	-	6,171,677
Supporting Services:						
General and Administrative	1,848,274	-	1,848,274	1,963,256	-	1,963,256
Fundraising	255,522	-	255,522	215,102	-	215,102
Total Program and Supporting Expenses	<u>8,381,088</u>	<u>-</u>	<u>8,381,088</u>	<u>8,350,035</u>	<u>-</u>	<u>8,350,035</u>
CHANGE IN NET ASSETS	(163,509)	555,429	391,920	177,239	(896,213)	(718,974)
Net Assets - Beginning of Year	<u>438,559</u>	<u>451,094</u>	<u>889,653</u>	<u>261,320</u>	<u>1,347,307</u>	<u>1,608,627</u>
NET ASSETS - END 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>

See accompanying Notes to Financial Statements.

THE FOOD TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	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
	<u>\$ 6,277,292</u>	<u>\$ 1,848,274</u>	<u>\$ 255,522</u>	<u>\$ 8,381,088</u>

See accompanying Notes to Financial Statements.

THE FOOD TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and Wages	\$ 3,078,021	\$ 300,680	\$ 165,992	\$ 3,544,693
Payroll Taxes and Benefits	676,584	66,093	36,487	779,164
Bad Debt	-	453,280	-	453,280
Consulting Fees	605,779	41,900	-	647,679
Depreciation	-	45,143	-	45,143
Educational Materials	447,032	-	-	447,032
Equipment Purchases	42,868	-	-	42,868
Food Purchases	9,533	-	-	9,533
Grant Subawards	206,700	-	-	206,700
Insurance	-	26,611	-	26,611
Interest and Bank Fees	1,945	90,782	5,449	98,176
Meetings and Conferences	61,949	-	-	61,949
Miscellaneous Expenses	23,019	9,232	390	32,641
Office Supplies and Expenses	3,879	23,971	25	27,875
Payroll Processing	-	9,098	-	9,098
Postage	441	1,257	5,925	7,623
Printing and Copying	56,487	14,309	-	70,796
Professional Fees	122,365	448,550	825	571,740
Program Supplies	18,540	270	-	18,810
Project Incentives	688,986	-	-	688,986
Promotions	480	-	-	480
Rent and Storage	67,806	427,137	-	494,943
Telephone	41,197	4,943	-	46,140
Translation Services	128	-	-	128
Transportation and Parking	17,938	-	9	17,947
Total Functional Expenses	\$ 6,171,677	\$ 1,963,256	\$ 215,102	\$ 8,350,035

See accompanying Notes to Financial Statements.

THE FOOD TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 391,920	\$ (718,974)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	45,595	45,143
Increase in Allowance for Doubtful Accounts	99,882	99,060
Payroll Protection Program Loan Forgiveness	-	(550,000)
Decrease (Increase) in Operating Assets:		
Contract and Grants Receivables	(93,872)	(419,872)
Contribution Receivables	(37,684)	91,710
Other Receivables	(25,746)	(57,418)
Prepaid Expenses	6,226	17,035
Deposits	(53,366)	(44,679)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	52,157	111,838
Deferred Revenue	(202,266)	420,881
Deferred Rent Obligation	11,050	19,858
Net Cash Provided (Used) by Operating Activities	193,896	(985,418)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Office Equipment	(18,120)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) on Line of Credit	(1,019,074)	392,909
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(843,298)	(592,509)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	1,303,115	1,895,624
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 459,817	\$ 1,303,115
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 135,817	\$ 873,115
Restricted Cash	324,000	430,000
Total Cash, Cash Equivalents, and Restricted Cash	\$ 459,817	\$ 1,303,115

See accompanying Notes to Financial Statements.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 generally accepted accounting principles in the United States of America (GAAP).

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 GAAP 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, 2022 and 2021, restricted cash consisted of \$324,000 and \$430,000 designated by the funding agency, respectively.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 FASB 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 not awarded any cost-reimbursable grants that have not been recognized at September 30, 2022.

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, 2022 AND 2021

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, 2022 and 2021, the allowance for doubtful accounts for contracts, grants, contributions, and other receivables was \$212,442 and \$112,560, 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 \$45,595 and \$45,143 for the years ended September 30, 2022 and 2021, 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.

Deferred Rent Obligation

The Organization has entered into an operating lease agreement for its corporate office which contains provisions for future rent increases, or periods in which rent payments are reduced (abated). In accordance with GAAP, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent obligation which is reflected as a separate line item in the accompanying statements of financial position.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising and Promotion

All costs associated with advertising and promotion are expensed in the period incurred. Advertising expense was \$21,396 and \$19,844 for the years ended September 30, 2022 and 2021, 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.

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.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation.

Change in Accounting Principle

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure. See Note 6 for additional disclosure.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 22, 2023, the date on which the financial statements were available to be issued.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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% and 6.25% at September 30, 2022 and 2021. Interest expense for the years ended September 30, 2022 and 2021 was \$32,377 and \$64,636, respectively.

There was no outstanding balance on this line of credit as of September 30, 2022. There was an outstanding balance on this line of credit as of September 30, 2021 was \$1,019,074, respectively. The line of credit has a maturity date of January 1, 2024.

NOTE 3 PAYCHECK PROTECTION PROGRAM LOAN

On May 18, 2020, the Organization received a loan in the amount of \$550,000 through the Federal Paycheck Protection Program (PPP). PPP funds are a form of low interest loans where some or all of the principal and interest may be eligible for forgiveness, subject to compliance and approval based off timing and use of funds in accordance with PPP guidelines. The Small Business Administration (SBA) has formally forgiven the loan in September 2021.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have an adverse impact on the Organization's financial position.

NOTE 4 COMMITMENTS

The Organization leases office space and equipment under noncancelable operating leases expiring through April 2029. Minimum future rental payments required under noncancelable leases as of September 30, 2022 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><u>\$ 2,992,148</u></u>

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 COMMITMENTS (CONTINUED)

Rent expense (including storage costs) for the years ended September 30, 2022 and 2021 was \$482,320 and \$494,942, respectively.

NOTE 5 RESTRICTED NET ASSETS

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

	2022	2021
National Campaign For Healthy Food Access	\$ 235,175	\$ 185,263
Healthy Corner Store Initiative	218,291	20,290
Nutritional Education and Youth Initiatives	292,322	90,772
Farm to School Initiatives	243,884	-
Farmer's Market	6,591	-
Other Programs	6,435	154,769
Time-restricted	3,825	-
Total Net Assets With Donor Restrictions	\$ 1,006,523	\$ 451,094

NOTE 6 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the year ended September 30:

	2022	2021
Legal Services	\$ 95,777	\$ 55,277

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 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 7 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, 2022 and 2021 were \$0- and \$31,367, respectively.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 7 RETIREMENT PLANS (CONTINUED)

The Organization also sponsors a defined contribution retirement plan that covers one employee. Contributions to the plan are based on compensation. Contributions for each of the years ended September 30, 2022 and 2021 were \$16,761.

NOTE 8 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 year ended September 30, 2022, there were no significant concentrations of credit risk. During the year ended September 30, 2021, the Organization received approximately 64% of the governmental revenue from one funding source. The Organization also had receivables from one foundation that represent approximately 77% at September 30, 2021.

NOTE 9 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, 2022 within one year to meet cash needs for general expenditures.

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 135,817	\$ 873,115
Cash - Board Designated	-	430,000
Cash - Program Restricted	324,000	-
Grants and Contract Receivables, Net	1,847,068	1,853,078
Contribution Receivables	39,935	2,251
Other Receivables, Net	<u>122,032</u>	<u>96,286</u>
Total Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 2,468,852</u>	<u>\$ 3,254,730</u>

In addition, the Organization has a \$1,000,000 line of credit as disclosed in Note 3.

THE FOOD TRUST
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 10 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 11 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases*. The ASU establishes guidance that will result in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions. The new guidance will result in fewer opportunities for organizations to structure leasing transactions to achieve a particular accounting outcome on the statement of financial position and will improve the understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance the assets used in their businesses.

The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2021. The Organization is assessing the impact this standard will have on its financial statements.

THE FOOD TRUST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022

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					
Farm to School Program	10.575	CN-F2S-IMPL-20-PA-4	07/15/20-06/30/22	\$ 26,165	\$ -
Pass-through The Pennsylvania State University: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	S001650-COP-TFT	10/01/21-09/30/22	2,963,104	-
Pass-through New Jersey Department of Health State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	DFHS22SNA003	10/01/21-09/30/22	627,878	-
Pass-through National Institute of Food and Agriculture: Food Insecurity Nutrition Incentive Grants Program	10.331	2019-70030-30412	09/01/19-08/31/22	294,010	-
Food Insecurity Nutrition Incentive Grants Program	10.331	2020-70030-33186	09/01/20-08/31/23	390,038	-
Food Insecurity Nutrition Incentive Grants Program	10.331	2021-70034-34987	06/15/21-06/14/24	7,555	-
Food Insecurity Nutrition Incentive Grants Program	10.331	2021-70034-35361	08/01/21-07/31/24	239,222	-
Pass-through Pennsylvania Department of Agriculture PA Specialty Block Grant	10.170	C940000521	10/01/20-6/30/23	31,372	-
Expanding food Bucks and a new Veggie Rx Program into NJ and PA	10.170	C940000845	10/01/21-9/30/23	21,030	-
Agricultural Marketing Services: Farmers Market Promotion Program - Growing Local Food Sales: Training	10.168	AM170100XXXXG101	09/30/17-09/30/21	50,194	-
Total U.S. Department of Agriculture				4,650,568	-
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	02/01/22-08/31/22	31,792	-
State Partnership Improving Nutrition Equity 2022	93.421	DCHS22INE001	07/01/22-07/31/23	30,157	-
Total U.S. Department of Health and Human Services				97,724	-
Total Federal Awards				<u>\$ 4,748,292</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

THE FOOD TRUST
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2022

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 and state 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 U.S. Department of Agriculture.

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, 2022, 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, 2023.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be material weaknesses.

Compliance and Other Matters

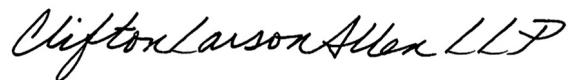
As part of obtaining reasonable assurance about whether The Food Trust’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 require the auditor to perform limited procedures on The Food Trust’s response to the finding 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, 2023



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

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, 2022. 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, 2022.

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 2022-002, 2022-003, 2022-004, 2022-005. 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 2022-002, 2022-003, 2022-004, 2022-005, 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.

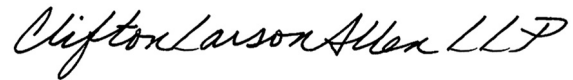
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of The Food Trust as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise The Food Trust's basic financial statements. We have issued our report thereon, dated August 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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

Board of Directors
The Food Trust

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 auditing standards generally accepted in the United States of America. 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
November 22, 2023

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022**

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

Assistance Listing Number(s)

10.561

Name of Federal Program or Cluster

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, 2022

Section II — Financial Statement Findings

2022-001

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, 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.

Cause:

The finance department was operating with insufficient capacity to manage operations during fiscal year 2022. In addition, management implemented a new accounting software on February 28, 2022, which further delayed reconciliations as management was analyzing data to ensure the conversion of data was accurate.

Effect:

During the audit, multiple adjustments were necessary to correct various account balances including an increase to the cash account of \$40,000, a decrease in accrued expenses of \$34,152, a decrease in deferred revenue of \$218,230, an increase to grants and contract revenue of \$144,148 and adjustments increasing expenses by \$112,519. 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.

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, 2022

Section III — Findings and Questioned Costs — Major Federal Programs

2022-002

Federal Agency: U.S. Department of Agriculture

Federal Program Name: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program and Food Insecurity Nutrition Incentive Grants Program

Assistance Listing Number: 10.561 and 10331

Pass-through Agency: The Pennsylvania State University and National Institute of Food and Agriculture

Pass-through Number: S001650-COP-TFT; 2019-70030-30412; 2020-70030-33186;

2021-70034-34987; 2021-70034-35361

Award Period: October 1, 2021 - September 30, 2022; 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: Allowable Costs

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria:

3 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 accurately record and report fringe benefits based on the actual expenses incurred by the organization and 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 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.

Questioned Costs:

The Organization allocated fringe benefits to the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program more than the amount actually incurred by \$99,699. The organization allocated fringe benefits to the Food Insecurity Nutrition Incentive Grants Program more than the amount actually incurred by \$6,558.

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

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

2022-002 (Continued)

Context:

During the review of the fringe benefits charged to the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program and the Food Insecurity Nutrition Incentive Grants Program, it was noted the amounts allocated for fringe benefits were in excess of the fringe incurred by the organization by \$99,699 and \$6,558, respectively. It was also noted management was unable to locate the supporting documentation for two transactions totaling \$266.

Cause:

The Organization allocated fringe to the program based on the percentages included in the contract budget, as opposed to charging actual expenditures incurred to the grants. Management's internal controls did not prevent or detect the grants from being overcharged fringe benefits. In addition, the organization experienced turnover within the finance department and the missing supporting documentation was likely misfiled and therefore unable to be located.

Effect:

Allocated costs that are not appropriately budgeted and invoiced could result in inaccurate reporting and misrepresentation of the program's expenses. If the organization does not retain proper supporting documentation for federal expenditures, it could result in funds being required to be returned to the funding agency.

Repeat Finding:

N/A: Not a repeat finding.

Recommendation:

We recommend The Food Trust review the allocation process for fringe benefits to ensure amounts reflect a more accurate representation of the actual fringe benefits incurred by the Organization. In addition, the Food Trust should 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.

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

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

2022-003

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

Award Period: September 1, 2019 - August 31, 2022

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:

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.

Questioned Costs:

The Organization was reimbursed for \$3,943 of unallowable costs.

Context:

During the review of program expenditure detail for the program, it was noted there was a transaction for bad debt expense that was not included in the budget as an allowable cost.

Cause:

The Organization had several key finance management positions turnover several times beginning in September 2019 through June 2021. There was an analysis performed by current management for this program which determined there was expenses incurred in prior years however not recognized as revenue until this reconciliation was performed in fiscal year 2022. This specific transaction was expensed in the year ended September 30, 2021. The charging to the federal program was an oversight by management.

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

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

2022-003 (Continued)

Effect:

The reconciliation of the program expenditures was not performed in a timely manner. This resulted in expenditures being charged to the program that were not allowable and funding may need to be returned to the pass-through agency.

Repeat Finding:

N/A: Not a repeat finding.

Recommendation:

Management should review its practices to ensure there are adequate review controls in place so only allowable costs are allocated to federal programs. In addition, the funding received for the questioned costs should be remitted back to the funder by the Organization.

Viewed of Responsible Officials and Planned Corrective Actions:

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

2022-004

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: 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.

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

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

2022-004 (Continued)

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 is not completing time and effort certification for the actual time spent working on the program.

Cause:

The Organization did not have policies and procedures in place 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.

Repeat Finding:

N/A: Not a repeat finding.

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.

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

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

2022-005

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 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.

Questioned Costs:

None

Context:

During our testing, it was noted the same individual is preparing and requesting the draw of funds for the program with no approval by another individual.

Cause:

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

**THE FOOD TRUST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022**

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

2022-005 (Continued)

Effect:

We noted no instances of noncompliance with the provisions of allowable costs and activities; however, the lack of approval represents a lack of segregation of duties and 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:

N/A: Not a repeat finding.

Recommendation:

We recommend The Food Trust establish a system of checks and balances that includes a separation of duties. This means that different individuals should be responsible for preparing and requesting the draw of funds, and there should be a clear approval process in place. 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 proper segregation of duties, requiring approval from another individual and implementing 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, 2022

Section IV — Prior Findings

2021-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition:

The Organization's inability to maintain accurate contemporaneous accounting records in order to produce timely and accurate financial reporting. The Organization was unable to meet financial reporting deadlines imposed by its lenders. Several audit adjustments were necessary in order to properly reflect the September 30, 2021 audited financial statements.

Status:

This finding has not been resolved. Several accounts were not reconciled, and reporting procedures were not performed in a timely manner. This resulted in delays in producing closing entries, trial balances, schedules, reconciliations, account analyzes, and other financial reports needed by management and the auditors. More importantly, during fiscal years 2018, 2019, 2020, 2021, 2022 management was unable to generate accurate and timely financial reports needed to manage the Organization in an effective manner.

THE FOOD TRUST CORRECTIVE ACTION PLAN YEAR ENDED SEPTEMBER 30, 2022

The Food Trust respectfully submits the following corrective action plan for the year ended September 30, 2022.

Audit period: October 1, 2021 – September 30, 2022

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

2022-001 During the audit, multiple adjustments were necessary to correct various account balances including an increase to the cash account of \$40,000, a decrease in accrued expenses of \$34,152, a decrease in deferred revenue of \$218,230, an increase to grants and contract revenue of \$144,148 and adjustments increasing expenses by \$112,519. 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 Organization hired a new President & CEO as of October 30, 2020, with strong executive leadership experience in nonprofits and financial systems and processes. The CEO has engaged in a holistic strategy to implement a finance improvement plan to build the capacity of the department and strengthen the Organization's financial operations. The following outlines the current steps taken under the plan:

- Consistent with prior audit recommendations, the Organization completed a financial department assessment in April 2021. The financial department assessment included three phases: robust assessment of the current financial operations via interviews with staff and Board and a document review; identification of observations and recommendations and review by Food Trust leadership; and the completion of a formalized roadmap to implement changes.
- To address the staffing concerns raised in the financial department assessment, the Organization brought on a vice president of finance on July 15, 2021, and a controller on October 1, 2021. Additional staff were hired in March 2023.

- The department is focused on bringing best practices to the Organization to ensure strong internal controls, and accurate and timely reporting. Policies and procedures are being reviewed to strengthen the Organization's financial infrastructure and network of communication throughout the entity.

These steps will continue to assist the Board and Management in strengthening the internal finance function to create a long-term, sustainable solution for the Organization.

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 prior to the audit of the fiscal year 2023 financials.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF AGRICULTURE

2022-002 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program and Food Insecurity Nutrition Incentive Grants Program – Assistance Listing No. 10.561 and 10.331

Recommendation: We recommend The Food Trust review the allocation process for fringe benefits to ensure amounts reflect a more accurate representation of the actual fringe benefits incurred by the organization. In addition, the Food Trust should review its practices to ensure all supporting documentation is retained 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 had no internal finance staff from October 2020 through July 2021. During that time, there was no review of the fringe benefits calculations. The new finance staff discovered this error and corrected the fringe benefits calculations starting in October 2022.

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

Planned completion date for corrective action plan:

This matter has been corrected and the updated rates have been in place for the entirety of fiscal year 2023.

2022-003

Food Insecurity Nutrition Incentive Grants Program – Assistance Listing No. 10.331

Recommendation: Management should review its practices to ensure there are adequate review controls in place so only allowable costs are allocated to federal programs. In addition, the funding received for the questioned costs should be remitted back to the funder by the organization.

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

Action taken in response to finding:

The Organization had no internal finance staff from October 2020 through July 2021, and was not fully staffed until March 2023. Having adequate staffing levels within the department allows for the proper review of transactions and helps to prevent errors of this nature.

When this error was identified, the Organization contacted the funder to initiate the return of funds. The Organization recently received instructions from the funder and is processing the refund of \$4,696.

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 2023.

2022-004

Food Insecurity Nutrition Incentive Grants Program – Assistance Listing No. 10.331

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 September 2024.

2022-005

Food Insecurity Nutrition Incentive Grants Program – Assistance Listing No. 10.331

Recommendation: We recommend The Food Trust establish a system of checks and balances that includes a separation of duties. This means that different individuals should be responsible for preparing and requesting the draw of funds, and there should be a clear approval process in place. 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 proper segregation of duties, requiring approval from another individual and implementing 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.

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

Action taken in response to finding:

The Organization had no internal finance staff from October 2020 through July 2021, and was not fully staffed until March 2023. Having adequate staffing levels within the department allows for the proper segregation of duties and internal controls. In addition, the department now has the capacity to perform these draws on a timely basis.

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

Planned completion date for corrective action plan:

This matter has been corrected since July 2023.

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